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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Report	Sen. Byrd to Pres. Carter, w/attachments 24 pp., re:Correspondence w/Foriegn Head of State	6/30/78- 7/9/78	A
Memo	Charlie Schultze to Pres. Carter, w/attachments 3 pp., re:Labor Market Developments <i>opened per RAC NLC-126-13-17-1-8, 6/12/13</i>	7/7/78	A
Memo	Brzezinski to Pres. Carter, w/attachments 3 pp., re:Mtg. w/Sen. Byrd <i>opened 6/1/92</i>	7/7/78	A
Memo	Cy Vance, et al, to Pres. Carter, w/attachments 31 pp., re:Energy and Summit <i>opened 6/1/92</i>	7/7/78	A

FILE LOCATION

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THE WHITE HOUSE
WASHINGTON

July 7, 1978

MEETING WITH SENATOR ROBERT BYRD

Monday, July 10, 1978
8:30 a.m. (15 minutes)
Oval Office

From: Frank Moore *F.M./er*

I. PURPOSE

To report on his NATO trip.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: Senator Byrd returned from his NATO trip yesterday..

The Senator serves on the Committee on Appropriations; Judiciary; and Rules and Administration.

His wife's name is Erma.

- B. Participants: The President
Senator Robert Byrd
Frank Moore
Zbigniew Brzezinski

- C. Press Plan: White House Photo.

III. TALKING POINTS

None necessary.

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THE WHITE HOUSE

WASHINGTON

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MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI 

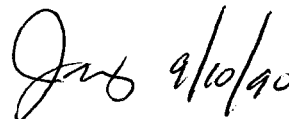
SUBJECT: Your Meeting with Senator Byrd,
Monday, July 10, 8:30 a.m.

The Senator's visit to Europe went very well. He made full use of his designation as your representative, and was received as an important political figure in his own right. His interlocutors were impressed by his broad command of major foreign policy issues, and he strongly supported Administration efforts on most questions.

-- In Spain, where he met with Suarez, and with First Vice President and Defense Minister Gutierrez Mellado, Byrd expressed our admiration and support for Spain's progress toward democracy, for the difficult economic decisions it has taken, and for its role in Western defense. He conveyed to Suarez your regret at not having been able to visit Spain yet as President. Suarez extended a message of friendship from the King to you. Byrd carefully did not raise the NATO question and was thus able to tell the press that, defusing the pre-trip speculation in Madrid that Byrd's was a "NATO entry" mission.

-- In Brussels, Byrd met with Luns, with Haig and with NATO representatives at a dinner hosted by Tap Bennett. Luns was extremely impressed, extending his meeting to an hour and twenty minutes. Byrd gave strong support to the LTDP and to your efforts on NATO, heard and agreed with Luns' argument about the need to lift the Turkish embargo (an argument he also heard from Schmidt), said he favored production of the ERW but was satisfied with your April 7 decision. He was cautious on SALT, saying that the Senate would examine any treaty carefully.

-- In the FRG, the Senator met with Schmidt, Genscher, Defense Minister Apel and Foreign Office Minister of State von Donnanyi. He emphasized our commitment, the importance we attach to LTDP follow-through, and the concern in Congress over the Soviet build up. He explained the state of play in Congress over energy at some length -- an explanation he

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repeated in a Bonn press conference. He said he thought the Chancellor might be misinterpreting Congress as purely negative. Byrd said he expected a good energy bill by October and that he was "cautiously optimistic" on COET. On SALT he was again cautious in general, but said you had asked him to stress that Europe's interests would be protected. On MBFR he echoed your own press conference comments.

-- In Britain, the Senator was to meet Callaghan today. I will send you a note if anything of particular significance arose.

In sum, the visit was very useful, especially on two scores: (1) in demonstrating to Europeans the depth of concern in Congress over the Soviet build up and the extent of commitment to NATO; (2) and in showing Europeans, particularly Germans, that the Senate leader shares your view of the need for serious energy legislation.

3530

THE WHITE HOUSE
WASHINGTON

July 10, 1978

The Vice President
Stu Eizenstat
Hamilton Jordan
Frank Moore
Anne Wexler
Zbig Brzezinski
Charlie Schultze
Jerry Rafshoon

The attached was returned in the
President's outbox today and is
forwarded to you for your information.

No additional notation was made.

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

July 10, 1978

MEMORANDUM FOR

THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF ENERGY

Immediately upon its return from the recent recess, the Congress will begin the process of appointing Conferees and initiating Conference discussions on the Treasury Appropriations bill. As you know, this legislation contains the Dole amendment which would prohibit the use of appropriated funds to implement administrative actions on oil imports under Section 232 of the Trade Expansion Act of 1962.

It is of utmost importance that you work together to prevent instruction of the House Conferees and avoid Conference approval of the Dole amendment. I am asking Frank Moore and Stu Eizenstat to work with you to coordinate this legislative effort. This task should receive highest priority from each of you and your Departments.



bcc: The Vice President
Stu Eizenstat
Hamilton Jordan
Frank Moore
Anne Wexler
Zbig Brzezinski
Charlie Schultze
Jerry Rafshoon

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THE WHITE HOUSE

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WASHINGTON

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July 7, 1978

INFORMATION

MEMORANDUM FOR: THE PRESIDENT

FROM:

Cyrus R. Vance *CV*
W. Michael Blumenthal *WMB (initialled by Tony Solomon)*
Charlie Schultze *CLS*
Zbigniew Brzezinski *ZB*
Henry Owen *HO*

SUBJECT: Energy and the Summit

1. All the heads of government at Bonn will want to know whether US oil imports will go down. They don't care whether this happens by legislative actions, or administrative action, or by using your existing authority to allow domestic prices to increase gradually to world price levels (which is probably their preferred course of action). You will remember that when Callaghan came in March and Fukuda in May, both stressed their concerns on this issue; you said to Callaghan that you would respond to these concerns at the Summit.

All believe that large US oil imports increase the US external deficit, weaken the dollar, and thus damage their economies. Schmidt has said that any German expansion would only make sense if he could be sure that it would not be offset by the currency disorders that he believes would attend US failure to limit oil imports more drastically. He and the others also fear that continuing large US oil imports will drive up the world price. They, their peoples, and the foreign exchange markets have not digested the progress that has already been made by the US; they exaggerate, moreover, the significance of COET or equivalent administrative action, relative to the rest of the energy bill, in reducing oil imports.

2. Our tactical situation at the Summit is made easier by the fact that other heads of government are being asked to take action in other areas: All want Germany and Japan to grow faster, and all want Britain and France to be as forthcoming in MTN as the rest of us. Some of the countries being asked to take these actions have linked them to US action on energy. But this linkage works both ways. Other heads of government

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face the same kinds of political constraints -- the Germans and Japanese on growth, and the British and French on trade -- that you do on energy. There is no reason why you should be more forthcoming or specific in talking about energy than they are prepared to be on growth and trade.

3. At your Friday meeting with Schmidt, you will be able to sound out his intentions about growth -- which is the key to triggering other Summit countries' actions. As of this date, we only know what Schmidt said to Callaghan and in a recent Business Week interview: that he would be willing to take expansion measures as part of a package deal. He evidently implied the same thing at the recent Bremen EC meeting. In Bonn last week, German officials were talking of a 12 billion DM package (1% of GNP), which seemed to include some water, i.e., measures that would have been taken in any event.

A July 6 telegram just in from Embassy Bonn indicates that "the poor May economic data as well as the internal debate on tax reductions have increased the chances of a German 1979 program of fiscal stimulus going beyond the one percent of GNP or DM 12 billion recently mentioned by German officials. A larger rather than a smaller package of tax reductions and expenditure increases may in some ways actually be more easy to put together politically. But it is as yet far from a sure thing, as aversion to higher public deficits remains a significant counterbalance throughout the political spectrum." The matter will be decided at a German cabinet meeting twelve days after the Summit; any resulting proposals would be put to Parliament in September.

4. One can envisage three alternative positions that Schmidt might take in your meeting with him:

a. He may be willing to make a statement that, however general, would clearly envisage a substantial growth package in the 1979 budget -- on the order of 1% GNP. In this case, we would recommend, if this proves necessary, a US statement on energy (Tab A) that, while less specific than the one you discussed recently with members of the Congress and therefore less welcome to allies and more troubling to foreign exchange markets, might still be sufficiently forthcoming to meet Schmidt's concerns and thus elicit his firm growth pledge, without being unnecessarily offensive to the Congress. This statement would also describe the progress that we have achieved to date in strong terms. <

b. Alternatively, he may be willing to make a statement that would pledge action in the 1979 budget but would not make

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clear the amount of new growth action we could expect. In this case, we would recommend that you fall back to the weaker statement at Tab B. This statement, by referring explicitly to "working with Congress" and to the possibility of "legislative action", is weaker in its commitment to administrative action than your April statement to the American Society of Newspaper Editors (Tab C). This evident difference would probably trigger adverse comment and renewed pressure on the dollar.

c. He may be willing to make only a general policy statement on growth, which pledges nothing. In this unlikely case we will have to decide what to say on energy in light of other factors.

7. In choosing among options, the situation at home is relevant:

a. Political: The stronger your statement the greater the likelihood that the Dole amendment will be passed by a large majority. Stu Eizenstat attaches a memo on these dangers. (Annex I) (We wonder whether the outcome would be affected by whether you brought back an evident success, including important growth and trade pledges, from the Summit?)

b. Economic: A question has been raised as to whether it would be in the US interest in 1979 to take administrative action to restrain oil imports, in view of current economic prospects. Charlie Schultze attaches a memo indicating the pluses and minuses, and concluding that it would still be in our interest to do so, if we can get something substantial in return. (Annex II)

8. Tactics: In your conversation with Schmidt, you may want to:

a. find out what he has in mind saying and doing about growth, in as specific terms as possible;

b. repeat your determination to act vigorously to restrain oil imports; underline the difficulties you face in trying to define that determination in specific terms, if counterproductive Congressional reactions are to be avoided; and explore how weak a statement on energy would be sufficient to elicit his expansion decision.

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After hearing Schmidt out, you may want to say that you will decide what to say on energy in light of this conversation, and that your advisers will communicate the specific language to his staff later in the day. (He will want to know what you intend to say before the Summit opens, since it will affect what he says on growth.)

This procedure would provide an opportunity for us to give you a careful assessment of what he had said about his growth intentions (assuming he was willing to make some sort of pledge), before you made your decision, choosing between the stronger and weaker statements at Tabs A and B. We believe that a weaker statement, such as Stu Eizenstat is proposing, which would do no more than defend our energy record to date and promise to continue trying, would likely be insufficient, and would be perceived, at home and abroad, as such a sharp back-down from your April statement and such evidence of weakness as almost surely to be followed by a sharp fall-off in the dollar.

It would be understood that use of both your statement on energy and Schmidt's statement on growth would depend on what you found out in the Summit about Japanese, British, and French intentions.

Attachments:

Tab A: Stronger Energy Statement
Tab B: Weaker Energy Statement
Tab C: Energy Section of Your April Anti-Inflation Speech

Annex I: Stu Eizenstat's Memo: "Energy and the Summit"
Annex II: Charlie Schultze's Memo: "Economic Effects of Alternative Outcomes at the Summit"

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Tab A

Stronger Statement

Reducing US dependence on oil imports has been a central goal of my Administration from the start. We have made good progress toward this end. Our economy grew at almost 6% last year, but without the traditional increase in oil and natural gas consumption. Our use of these fuels grew by only 1%, breaking the historical lock-step relationship between overall growth in GNP and growth in energy demand. Our overall energy growth rate for 1977 was a low 1.9%. US imports of foreign oil have declined from a 1977 high of 8.7 million barrels per day to a current estimated 7.8 million barrels per day for the first five months of 1978. We are committed to maintaining this downward trend.

The energy Conference Committee of Congress has agreed to four major components of my National Energy Plan. These four provisions -- dealing with coal conversion, conservation, utility rate reform, and most importantly, natural gas pricing -- along with the tax credits which have received general Conference agreement will save the equivalent of 2.3 million barrels per day when they are fully effective. These savings are far greater than those which would result from the few proposals still awaiting Congressional agreement. The natural gas agreement is of particular significance. In resolving this long and bitterly debated issue, we project savings of half a million barrels per day in the near future.

I will continue to work with the Congress to complete passage this year of the legislation that I have proposed. If by the end of the year the legislation has not been passed I will, after consultation with the Congress, take an appropriate set of actions to ensure the same reduction of oil imports envisaged in this legislation, and within the same time frame. One way or another we will achieve that reduction by the end of 1980.

Note: The underlined language is different in this text than in Tab B.

Tab B

Weaker Statement

Reducing US dependence on oil imports has been a central goal of my Administration from the start. We have made good progress toward this end. Our economy grew at almost 6% last year, but without the traditional increase in oil and natural gas consumption. Our use of these fuels grew by only 1%, breaking the historical lock-step relationship between overall growth in GNP and growth in energy demand. Our overall energy growth rate for 1977 was a low 1.9%. US imports of foreign oil have declined from a 1977 high of 8.7 million barrels per day to a current estimated 7.8 million barrels per day for the first five months of 1978. We are committed to maintaining this downward trend.

The energy Conference Committee of Congress has agreed to four major components of my National Energy Plan. These four provisions -- dealing with coal conversion, conservation, utility rate reform, and most importantly, natural gas pricing -- along with the tax credits which have received general Conference agreement will save the equivalent of 2.3 million barrels per day when they are fully effective. These savings are far greater than those which would result from the few proposals still awaiting Congressional agreement. The natural gas agreement is of particular significance. In resolving this long and bitterly debated issue, we project savings of half a million barrels per day in the near future.

I will continue to seek to complete passage this year of the legislation that I have proposed. If by the end of the year the legislation has not been passed I will, working closely with the Congress, propose to take legislative or administrative actions to secure the same reduction of oil imports envisaged in this legislation, and within the same time frame. One way or another we will achieve that reduction by the end of 1980.

Note: The underlined language is different in this text than in Tab A.

Tab C

Extract from Speech to
American Society of Newspaper Editors

"The primary reason for our problems with the balance of trade and the decreasing value of the dollar is no mystery. Ten years ago we were paying roughly \$2 billion a year for imported oil. This year, oil imports will cost us more than \$45 billion.

"Our energy problems are no longer theoretical or potential. They are an active threat to the economic well-being of our people.

"Of all the major countries in the world, the United States is the only one without a national energy policy, and because the Congress has not acted other nations have begun to doubt our will. Holders of dollars throughout the world have interpreted our failure to act as a sign of economic weakness, and these views have been directly translated into a decreasing value of our currency.

"The falling dollar in international monetary markets makes inflation worse here at home. It raises the price of goods that we import, and this makes it easier for domestic producers to raise their own prices as well because the competition is not still there.

"That is why we simply must have meaningful energy legislation without further delay. Our security depends on it, and our economy demands it. If Congress does not act, then oil imports will have to be limited by administrative action under present law, and this is certainly not the most desirable solution. But one way or the other, oil imports must be reduced."*

*Underlining added.

Annex I

THE WHITE HOUSE

WASHINGTON

July 10, 1978

MEMORANDUM FOR

THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF ENERGY

Immediately upon its return from the recent recess, the Congress will begin the process of appointing Conferees and initiating Conference discussions on the Treasury Appropriations bill. As you know, this legislation contains the Dole amendment which would prohibit the use of appropriated funds to implement administrative actions on oil imports under Section 232 of the Trade Expansion Act of 1962.

It is of utmost importance that you work together to prevent instruction of the House Conferees and avoid Conference approval of the Dole amendment. I am asking Frank Moore and Stu Eizenstat to work with you to coordinate this legislative effort. This task should receive highest priority from each of you and your Departments.

A handwritten signature in cursive script, appearing to read "J. Carter".

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THE WHITE HOUSE

WASHINGTON

July 7, 1978

MEMORANDUM FOR THE PRESIDENT

FROM STU EIZENSTAT *Stu*
SUBJECT ENERGY AND THE SUMMIT

Overview

Pursuant to my memorandum to you last week, your foreign policy and economic advisers met on Wednesday to discuss your posture on energy at the Bonn Summit in light of the vote on the Dole amendment. Because this is principally a foreign policy issue, Henry Owen has prepared the basic memorandum summarizing the concerns expressed at the meeting and recommending revisions in the statement originally planned for the Summit.

I feel so strongly about the risks involved in making a commitment to future actions at Bonn, however, that I wish to present my views directly.

As you will recall, the original plan would have you pledge to the other Summit leaders that you would take administrative action by the end of this year if COET failed to pass the Congress. Such action would be designed to achieve the same level of import reduction as COET would within the same time frame, i.e., by the end of 1980.

Henry Owen has developed two options which maintain the same general drift of the original pledge, but which would soften the tone by:

- o including further "legislative" action among the tools which you may use to accomplish this goal so that administrative action is not our only option, and
- o adding language pledging consultation with the Congress (in recognition of the unpopularity of the import fee approach).

JS 5/27/92

Henry's first option -- a so-called "hard" option -- is proposed for use only if Schmidt makes a specific, water-tight commitment to economic stimulus. While somewhat less specific than the statement originally recommended, this option would still give Schmidt quite a strong public commitment to administrative action if legislation fails.

The second, or "soft" option is recommended by your foreign policy advisers if Schmidt's commitment is more general and tentative. This option would commit you to "appropriate action", although it retains the basic pledge to act to achieve the equivalent of COET's savings by the end of 1980.

While I believe that both of Henry's options improve upon the original proposed statement, both still either make or strongly imply a commitment to taking administrative action if COET or other legislative efforts fail. I believe that any commitment to administrative action, however carefully phrased or softened, carries with it serious risks which are detailed below.

It is important to note that immediately upon return from Bonn, Senator Dole or others will seek to determine the precise nature of any commitment made. The Administration will have to answer the question, "Have you pledged to take administrative action in the event of a Congressional decision not to take legislative action or not?". If our answer is yes, the impetus to revoke our administrative authority (for both fees and quotas) is strengthened. If our answer is no, then the Summit participants will question whether we really pledged anything tangible upon which they can premise their actions. This is the crux of the dilemma which the Administration faces.

Basic Strategy Options

I believe that there are two basic strategies for Bonn which should be carefully weighed before making a firm decision.

The first is the approach which your foreign policy advisers prefer, (the Owen options), which would base the U.S. negotiating posture upon promises of future actions to obtain COET or the equivalent.

The other approach is to go to Bonn seeking concessions from the Germans and others on the strength of our actual past progress on energy and other areas of Summit concern. Such an approach would state that we believe that we have made major progress toward meeting our London Summit commitments and that it is time for Japan, Germany and the others, who

have done relatively little toward fulfilling their own commitments, to pledge action. We would state, of course, our continued commitment to reducing oil imports and our willingness to take appropriate steps toward meeting our goals. A draft statement following this approach is attached.

I raise this alternative approach because of my strong concerns for the domestic impacts of a firm pledge now of action in the future.

- o In effect, we are being asked to make a very risky commitment on a part of our energy bill which is not central to energy savings in comparison to the other parts of the bill. In return, we would get a commitment from the Germans to do what they promised to do last year but utterly failed to honor. We have done far more to meet our 1977 Summit commitments than those who now seek to demand this painful ounce of flesh for results they have already promised to achieve.
- o Pledging the U.S. to an action which is almost certain to be opposed by a majority of the Members of both houses (and possibly by a two-thirds majority of each) is questionable both domestically and internationally. An international commitment should rarely be made when there is so little Congressional support for it.
- o Promising to take administrative action, which the Senate has served notice is unacceptable to a substantial majority of its members at this time, (and which we believe will prove unacceptable to a majority of the House) will be seen as seeking a confrontation, and will engage us in another uphill legislative and political battle at a time when we can least afford it. Much of our capital has been expended on Panama, arms sales, Greece-Turkey, and labor law. It is very difficult to ask Members to go out on yet another limb on our behalf so close to the elections. Frank Moore's staff believes a motion to instruct the House conferees to accept the Dole amendment will almost certainly pass. A firm pledge in Bonn, according to Congressional Liaison staff, will make prospects of sustaining a veto, at best, uncertain in both houses, and extremely gloomy in the Senate. Such a situation would be far worse for the dollar than not making a commitment now. We will look politically weak with a failure to sustain a veto here. We should avoid a rhetorical confrontation now in order to preserve the option of acting later.

- o Such a pledge may well adversely affect our ability to actually accomplish our energy goals, either through enactment of COET or administrative action. A pledge could seriously jeopardize what remaining chances we have for COET and sour the climate for enactment of the natural gas compromise (which saves considerably more in oil imports than does COET). It also increases the risk of Congressional overrides of any vetoes of "Dole-type" amendments. Even if we can muster the votes necessary to sustain a veto, it will sap scarce Administration resources and divert our attention from passage of the energy bill. Furthermore, a vote by a substantial majority of both houses against administrative action will jeopardize the chances which we now have of successful administrative action after the election, should this be necessary.
- o A commitment at the Summit on administrative action vitiates one of our strongest popular arguments for action on COET -- that we need a U.S. energy plan to ensure that decisions about our own economy are made here at home rather than by OPEC or in some foreign capital. If our principal reason for taking on this fight with the Congress stems from Summit commitments and foreign actions, our action will be perceived by many as an abdication of our responsibility to make our own domestic policy decisions.

I am fundamentally in favor of administrative action if we fail to achieve our energy objectives by legislation. If circumstances then justify, I would feel entirely comfortable recommending that you take action later this fall, after the election. By then, the climate surrounding this entire subject will have cooled, and by carefully tailoring our actions we can meet many of the fears expressed about fees, either by using quotas instead, or by proposing legislation to rebate revenues generated by fees. (These concerns are felt most heavily in New England and other east coast states which are heavily dependent on imported oil, and whose delegations fear that they will bear a bigger burden than states which have access to domestic oil or alternative fuels.)

I am, however, concerned that by talking now about actions which we have no intention of taking until after the election, we will provide Republicans and others with a highly controversial issue which is easily demagogued. We will not have a specific proposal on the table, and therefore will be unable to defend against inaccurate charges or exaggerated claims about the adverse impacts of administrative actions.

Moreover, your basic authority to impose fees or quotas rests upon a Presidential finding of national security risk. To commit to use these powers without a formal finding of need seem questionable. We cannot tell what the actual circumstances will be when action is taken. Compared with the situation when the NEP and COET were announced:

- o Inflation is higher than predicted, and the impact of any administrative action would be added to that higher base.
- o Growth has slowed and a recession is more likely. There may be a real question of whether we want to add a drag to the economy in 1979, just when it is slowing down. While we could propose legislation to recycle the proceeds from fees, adoption would be uncertain given our relations with Congress and the insistence by some on trust funds for energy activities rather than straight rebates.
- o Oil imports are significantly down from last year's levels, and a soft world oil market persists.

If inflation continues unabated and economic growth should falter, both the substantive case for administrative action and the national security justification would be far weaker than they are now.

Summary

I have raised these basic concerns about the effects of pledging administrative action (particularly import fees) for some months. Unhappily, the vote in the Senate confirms the depth of opposition to this action.

I urge you to consider seriously the alternative approach to Bonn outlined above. We can credibly stress the positive aspects of our performance on both energy and other Summit issues.

On the energy front we can state:

- o By gaining conference agreement on four of the five parts of the National Energy Plan, we have come a long way toward resolving one of the most difficult and divisive issues which the U.S. has ever confronted in a "non-emergency" setting. The provisions already agreed upon will save up to 2.3 million barrels of oil per day. (This includes the tax credits for insulation and solar which the Conferees have agreed to in principle.)
- o We have reduced oil imports from a high of 8.7 million barrels per day in 1977 to an estimated 7.8 million barrels per day for the first five months of 1978. We expect this reduction to hold.
- o Although the U.S. economy grew at a rate of almost 6% last year, our consumption of oil and gas increased by only 1%. We have successfully decoupled the traditional lock-step relationship between overall growth in GNP and growth in energy demand. This demonstrates that conservation practices are taking hold.
- o While we can expect further progress in each of these areas, the results we have achieved thus far put the U.S. on strong footing to deal with the energy problem.
- o This positive stance will be buttressed by strong statements from Russell Long and Al Ullman supporting COET and stating that it is still alive. These will come on the eve of the Summit (July 13) when the tax conference reconvenes for the first time since last fall.

With respect to other Summit issues, the U.S. will have a strong record on trade agreements and growth. In light of these steps, we do not feel that we should be defensive about our performance since the last Summit. In fact, the U.S. record is far better than that of those of the countries which are now demanding further U.S. action. For example:

- o Schmidt pledged to achieve a growth rate of 4.5% to 5%. The FRG's current (1977 and projected 1978) growth rate is only 2.5%.
- o The Japanese pledged a growth rate of 6.7%, but have achieved only 5.5%.

On the other side of the coin, however:

- o Adoption of this alternate approach may make a successful Summit less likely, and may have some adverse impact on the dollar.
- o While the alternate approach will maximize our chances of domestic success, there is no guarantee that your administrative authority can be preserved unimpaired, even if this course is followed. The "cat may be already out of the bag".

In spite of these negative considerations, however, I am even more deeply concerned about what could happen to the dollar and our overall policy objectives over the longer run, if, as a result of the Summit, you are forced into a political donnybrook at home which ultimately weakens if not removes your flexibility to act in the best interests of the country. An override of a veto (of legislation to revoke your authority) would have very serious consequences for the dollar and for the public perception of your ability to control issues of substantial Presidential concern.

I have also spoken with Jim Schlesinger. Although he has not had a chance to review this memo, he asked me to relay the following points:

- o The U.S. has made major progress toward meeting the commitments which we made last year in London -- a record which the other Summit participants cannot match.
- o We are in danger of being overly defensive in our posture at the Summit on energy and other issues. We should not allow the issue to become our performance.
- o Confrontation with the Congress at this time over the import fee issue will hurt us both domestically and internationally.
- o Jim is in general accord with the broad outlines of this memo, and urges that you convene a meeting of your top advisers early next week when all the principals are in town. I agree.

Whatever your decision on the Summit, we also have an important near term objective of ensuring that the House does not instruct its conferees to accept the Dole amendment. There must be a major effort, with your personal involvement and that of Secretaries Schlesinger, Blumenthal, and Vance to prevent this instruction. We suggest the attached directive to the Cabinet Officers, and we will work with Frank to develop a coordinated approach.

The line that Senator Byrd took today in Bonn is the type of positive line that we might adopt. I attach a copy of relevant portions of his press conference.

Attachments: Proposed statement for Bonn based upon
 past performance.

 Proposed directive on legislative action
 to defeat the Dole amendment.

 Excerpts from Senator Byrd's press conference
 in Bonn.

PROPOSED BONN STATEMENT

Reducing U.S. dependence on oil imports has been a central goal of my Administration from the start. We have made good progress toward this end. Our economy grew at almost 6% last year, but without the traditional increase in oil and natural gas consumption. Our use of these fuels grew by only 1%, breaking the historical lock-step relationship between overall growth in GNP and growth in energy demand. Our overall energy growth rate for 1977 was a low 1.9%. U.S. imports of foreign oil have declined from a 1977 high of 8.7 million barrels per day to a current estimated 7.8 million barrels per day for the first five months of 1978. We are committed to maintaining this downward trend.

The energy Conference Committee of Congress has agreed to four major components of my National Energy Plan. These four provisions -- dealing with coal conversion, conservation, utility rate reform, and most importantly, natural gas pricing -- along with the tax credits which have received general Conference agreement will save the equivalent of 2.3 million barrels per day when they are fully effective. These savings are far greater than those which would result from the few proposals still awaiting Congressional agreement. The natural gas agreement is of particular significance. In resolving this long and bitterly debated issue, we project savings of a half

page two

a million barrels per day in the near future.

I will continue to work with the Congress to complete action on the National Energy Plan this year.

If, however, this cannot be fully resolved, I will propose such legislative or administrative steps as are appropriate to achieve our oil import reduction goals.

SENATOR: I CAN UNDERSTAND THE CHANCELLOR'S FEELING ON THIS SUBJECT. A WRONGFUL AND INACCURATE IMPRESSION HAS BEEN CONVEYED. NOT ONLY TO OUR FRIENDS IN WESTERN EUROPE BUT ALSO TO THE AMERICAN PUBLIC, TO THE EXTENT THAT THE UNITED STATES SENATE HAS BATTERED AND BUDGED AND MANGLED THE PRESIDENT'S ENERGY PACKAGE. AND THE IMPRESSION IS ABROAD THAT THE CONGRESS IS STALLING, THAT IT IS NOT ACTING AND WILL NOT ACT ON AN ENERGY PACKAGE. I WAS HAPPY TO HEAR THE CHANCELLOR EXPRESS HIS VIEWPOINT IN THIS REGARD, BECAUSE IT IS A VIEWPOINT THAT I CAN UNDERSTAND, BASED ON THE INACCURATE INFORMATION THAT HAS BEEN CONVEYED. THE TRUTH OF THE MATTER IS THAT THE CONGRESS HAS ACTED, IS ACTING AND WILL CONTINUE TO ACT TO BRING TO THE PRESIDENT'S DESK AN ENERGY BILL. THAT BILL IS NOW IN CONFERENCE BETWEEN THE TWO HOUSES. IT IS A VERY CONTROVERSIAL BILL BECAUSE THE ENERGY ISSUE IS A CONTROVERSIAL ISSUE. IT IS BEEN AROUND A LONG TIME. FOR EXAMPLE, NATURAL GAS PRICING IS AN ISSUE THAT HAS BEEN BEFORE THE CONGRESS FOR TWENTY-FIVE YEARS. BUT WE HAVE COME TO GRIPS WITH IT, AND WE HAVE ALREADY AGREED IN THE CONFERENCE BETWEEN THE TWO HOUSES ON FOUR-FIFTHS OF THE OVERALL PACKAGE. AND I FEEL THAT IN THE VERY NEAR FUTURE WE WILL BEGIN IN THE SENATE TO ACT ON SOME OF THE CONFERENCE SUPPORTS. CONFERENCE SUPPORT, FOR EXAMPLE, ON COAL UTILIZATION; THE CONFERENCE SUPPORT ON UTILITY RATE REFORM; THE CONFERENCE SUPPORT ON ENERGY CONSERVATION, AND THE CONFERENCE SUPPORT ON NATURAL GAS PRICING. I EXPECT A FILIBUSTER ON THE CONFERENCE SUPPORT ON NATURAL GAS PRICING BECAUSE WE HAD A TERRIFIC FILIBUSTER WHEN WE PASSED THAT BILL. NEVERTHELESS, I AM CONFIDENT THAT WE ARE GOING TO PASS AN ENERGY PACKAGE, AND IT WILL BE A GOOD ONE. SO I HOPE THAT I HAVE DEBUNKED THE IDEA, BASED ON INACCURATE INFORMATION, THAT THE CONGRESS IS NOT WILLING TO COME TO GRIPS WITH THIS PROBLEM. AND THAT THE CONGRESS IS NOT WORKING ON THE PROBLEM. THE CONGRESS IS WORKING AND IT WILL PRODUCE AN ENERGY PACKAGE.

QUESTION: SENATOR, DID YOU BRING ANY SPECIFIC INDICATIONS FROM THE PRESIDENT TO THE CHANCELLOR THAT THE PRESIDENT WOULD TAKE SOME PRESIDENTIAL ACTION ON ENERGY BEFORE OR DURING THIS SUMMIT MEETING PERIOD?

SENATOR: THE PRESIDENT IS WORKING HARD TO GET SUPPORT IN THE CONFERENCE FOR ALL FIVE PARTS OF THE ENERGY PACKAGE. AND THE PRESIDENT WILL USE WHATEVER MEANS AND WHATEVER AUTHORITY HE CAN USE, HIS PERSONAL PRESTIGE, TO CONTINUE TO TRY TO DO WHATEVER HE CAN WITHIN THE AUTHORITY THAT HE HAS TO DEAL WITH THE ENERGY PROBLEM. WE HAVE ALREADY CREATED A NEW ENERGY DEPARTMENT. WE HAVE A SECRETARY FOR THE DEPARTMENT OF ENERGY. AND THERE ARE ALREADY LAWS ON THE BOOKS THAT ARE AVAILABLE BY WHICH PARTS OF THE PROBLEM CAN BE ADDRESSED. BUT THE PRESIDENT DOES NEED THIS NEW LEGISLATION AND I WANT TO EMPHASIZE THAT HE IS GOING TO GET ENERGY LEGISLATION.

QUESTION: (INAUDIBLE) DID YOU PERHAPS RELATE TO THE

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

July 7, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze **CES**
Subject: Economic Effects of Alternative Outcomes
at the Summit

Over the next week, you will have to decide specifically what to say about energy policy at Bonn. This memorandum outlines the economic consequences of alternative outcomes at Bonn.

1. Possible U.S. Commitments

Our judgment is that the only commitment with significant economic impact that you might be asked to make is on oil imports. While there are various permutations of language, there are basically two options. Either you can commit to take administrative actions (e.g., impose a fee) if COET fails to pass; or you can state that you will weigh alternative courses of action but not make a commitment at this time.

2. A Likely Import Fee

For purposes of this discussion, we assume the following kind of oil import fee:

- (1) A \$5 per barrel fee on all crude oil imports, with no fee on refined products.
- (2) Domestic refineries would average the costs of the fee through the entitlement system.
- (3) The price of domestic crude oil would be insulated from the fee by various regulatory devices.
- (4) We would impose half of the fee in the spring of 1979 and the other half in early 1980. Annual net proceeds from the first phase would be about \$5 billion and from the full fee \$10 billion.

- (5) We would propose legislation to rebate the net proceeds of the fee in a manner similar to our proposals for COET.

Aside from the (very important) fact that the entitlement system is retained, this fee proposal is the economic and energy equivalent of COET.

3. Risks in the Fee Scheme and in the Economy

The economic impact of the fee above is built into our current economic forecast. It would increase the level of prices by about 1 percent over the next three years -- 0.3 percent per year added to the inflation rate. If the net proceeds were rebated, however, it would not appreciably slow economic growth; there would be no net drain on consumer purchasing power.

Nevertheless, there are several economic and political risks in this scheme that should be faced.

- o We cannot be sure that Congress will enact the legislation to rebate the fee. Internally, we are expecting GNP growth in 1979 and 1980 of a shade under 4 percent. An unrebated import fee would reduce growth by only a small amount -- about 1/3 percent in each of the two years. If additional fiscal dampening were needed at that time to prevent inflation from worsening, inability to rebate the fee would pose no problem. If the economy proves to be weaker than we think -- and the risks are probably mainly on the downside -- added fiscal restraint would not be welcome. Given the uncertainties about Congressional willingness to rebate a fee, a firm Summit commitment to impose a fee would reduce your flexibility in the conduct of fiscal policy.
- o Inflation is now running significantly higher than when COET was first proposed. While price effects equivalent to an import fee are already included in our forecast, they will make an already difficult situation slightly worse.

- o In implementing the administrative actions, we may be unable to have the timing we desire; or to contain the rise in domestic crude oil prices; or to stave off domestic refiners who would like the fee on refined products; or to resist pressures for quotas (with a new phalanx of regulators) rather than a straight fee. If the difficulties of implementing the proposed fee system are large, we may face economic effects larger than those given above. In the worse case, we might find that the inflationary impacts were close to 2 percent over three years rather than 1 percent.

Summing up the benefits and the risks, I conclude that in the absence of major gains at the Bonn Summit, I would recommend not committing to administrative actions at this time. The risks for the economy, the increased inflationary pressures, and the political expression of Congress on this subject argue against the wisdom of this commitment at this time, unless there is an offsetting quid pro quo.

4. Economic Stakes in a Successful Summit

Our principal objective at the Summit is to obtain a commitment to policies to achieve stronger growth in both Germany and Japan. This will have relative short-run effects that can be crudely quantified. A successful Summit would offer other longer-term benefits that are less quantifiable but equally important.

We feel that a significant action on growth requires genuine stimulation of domestic demand in Germany and Japan through tax cuts or expenditure increases totaling at least 1 percent of GNP. This would raise GNP in these countries by roughly 1 to 2 percent in 1979 and 1980. The direct effect of this increased growth on U.S. exports would initially be modest -- on the order of \$1/2 billion -- but this would grow over time.

Our interest in stronger growth from these countries is not based only on these direct effects. Many other countries, both developed and developing, are constrained by balance of payments considerations from pursuing more expansionary policies. Stronger domestic demand in Germany and Japan would significantly improve prospects elsewhere. If, as a result, industrial countries increased domestic growth rates by an average of 1 percent, U.S. exports would grow by about \$2 billion a year faster, for each year in which the higher growth abroad was sustained.

Although it is impossible to predict exchange rates, a depreciation in the order of 1 to 2 percent would be needed to obtain the same effect on the trade balance as the higher growth abroad. Exchange rate adjustment is an essential adjustment mechanism for the United States, but it is costly. Depreciation adds to inflation, undermines business confidence both at home and abroad, and threatens the dollar-based international financial system.

If the Summit fails, the ramifications will be both economic and political. Clearly, we will lose the benefits to our economy discussed above. The MTN could well fail in the wake of the Summit, after which it may be more difficult to resist protectionist pressures at home and abroad. There may be a more general loss of momentum when it is seen that our governments lack the political will to take the necessary steps to assure sustained economic recovery. There will undoubtedly be some turbulence in foreign exchange markets and renewed pressure on the dollar; we would be pessimistic about the economic prospects abroad, especially in Europe; and there could be divisive effects in the industrial world.

5. What Should We Do?

From an economic perspective, I recommend as follows:

- a. If Schmidt does not make a "firm and genuine" commitment on growth at the Summit, then we should not make a commitment to take administrative actions on oil imports.
- b. If Schmidt is willing to make a firm and genuine commitment on growth and if the others (Japan, U.K., France) are willing to make the appropriate commitments, in return for a strong energy commitment on your part, then on balance it seems worthwhile making such a commitment. To my mind, Henry Owen's "tough" statement should be made only if the above conditions are met.

What does a "firm and genuine" German commitment mean?

- o A public commitment at the Summit to introduce in 1978 a stimulus package that amounts to at least 1 percent of GNP -- 12 to 13 billion DM.

- o The package be either tax cuts or new expenditure programs. We should not accept expenditure increases which were already in the mill as part of the package. (Alternatively, we should count as stimulus only increases in expenditures which are proportionately larger than the expected increase in German GNP -- including the effect of inflation. Weighing both these criteria, we would suggest counting any expenditure increase over 7 to 8 percent as part of a stimulus package.

6. A Speculative Word on Tactics

No one knows what Schmidt's negotiating tactics for the Summit are. There is a small chance that Schmidt may act with a soft commitment from you (like Henry Owen's Tab B or Stu's language).

- o The German economy is even more sluggish than anyone had anticipated.
- o Schmidt (along with Giscard) will want a U.S. blessing for their proposals on the new "European Monetary System" set out at the Bremen Summit.
- o He may want a nuclear fuel assurance from us.
- o He wants a successful Summit on his home territory.
- o He might respond to your explanation that:
 - the COET has relatively modest import-saving effects compared to the other four parts of the package, whose passage is highly likely.
 - the additional price increases in the natural gas compromise will save more imports than COET.
 - a commitment on your part at this time to take administrative action is highly likely to be counterproductive.

Again, this possibility is a long-shot. But in structuring your conversation with Schmidt, it would pay, I think, to try this tack. The tough commitment on energy suggested in Tab A of the Owen memo should be saved until it is clearly necessary to produce the "firm and genuine" commitment by Schmidt.

~~CONFIDENTIAL~~

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

July 7, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze

Subject: Labor Market Developments and Producer (Wholesale)
Prices in June

Please substitute the attached copy of my memorandum to Jody Powell on the above subject which was attached to my memo to you of last evening. The wrong copy was attached.

In paragraph 2, the increase in employment since the end of 1976 is 6.4 million rather than 5.7 million.

Attachment

Electrostatic Copy Made
for Preservation Purposes

~~CONFIDENTIAL~~

DECLASSIFIED
Per: Rac Project
ESDM, DDC-124-15-17-1-8
BY KS NARA DATE 6/10/13

~~CONFIDENTIAL~~

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

July 6, 1978

MEMORANDUM FOR JODY POWELL

From: Charlie Schultze

Subject: Labor Market Developments and Producer (Wholesale)
Prices in June

Attached is a copy of a memorandum for the President on labor market developments and producer prices in June.

Suggested Reaction

The increase in employment and the drop in unemployment over the past year and a half is a major accomplishment of the American economy. (Note: stress the whole period, not the last month, since it is possible that some of the decline in June 1978 may be an aberration, and might be reversed next month.) There are one and three quarter million less people unemployed than there were at the end of 1976. There are 6.4 million more people with jobs. The United States has made more progress than any other industrial country in putting people back to work after the deep recession of 1975. The President is highly gratified at this result.

While we have done well -- and even better than expected -- in fighting unemployment, we have not done so well in fighting inflation. The price index of finished goods at wholesale -- which was released today -- showed a rise in June of 0.7 percent -- the same rise as in May. This is far too large an increase. The Administration is determined to turn back the inflationary threat -- in ways which do not sacrifice the gains we have made in employment and unemployment.

Yesterday, OMB released its Mid-year Budget Review which reflected one major set of steps which have been taken to combat inflation. The estimated budget deficit for 1978 was reduced by \$11 billion, and the deficit for

~~CONFIDENTIAL~~

DECLASSIFIED

Per: Rac Project

ESDN: NLC-126-13-17-1-8

BY 125 NARA DATE 6/10/13

~~CONFIDENTIAL~~

-2-

1979 by \$12 billion below the earlier projections. The President intends to work with the Congress and to do everything in his power to keep Federal spending at or below the new lower levels set forth in that Budget Review.

Attachment

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON
July 10, 1978

Jim McIntyre

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Stu Eizenstat
Frank Moore
Zbig Brzezinski

SHIPBUILDING CLAIMS FUNDING

	FOR STAFFING
	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

	VICE PRESIDENT
<input checked="" type="checkbox"/>	EIZENSTAT
	JORDAN
	KRAFT
	LIPSHUTZ
<input checked="" type="checkbox"/>	MOORE
	POWELL
	WATSON
	WEXLER
<input checked="" type="checkbox"/>	BRZEZINSKI
<input checked="" type="checkbox"/>	MCINTYRE
<input checked="" type="checkbox"/>	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE
WASHINGTON

7/8/78

Mr. President:

Zbig concurs but expects
the congressional reaction
to be quite critical.

Congressional Liaison has
no comment.

Stu's comments are attached.

Your decision is requested
at your soonest convenience
as DoD will be testifying
on Monday.

Rick/Bill



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

June 30, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. McIntyre, Director *Jim*

SUBJECT: Decision Memo - Shipbuilding Claims Funding

In my memo to you of June 23 (attached), I reported on recent claims settlements concluded by the Navy with General Dynamics and Litton. The Navy has sufficient funds in hand to cover all but \$208 million of the settlements. To cover this amount, and to provide for the future settlement of Tenneco (Newport News) shipbuilding claims, the Department of Defense proposes to eliminate the attack submarine included in the 1979 budget at about \$325 million. Some additional funds associated with long lead components for future submarines may also be identified as savings. In any case, this proposal will not change the total 1979 Defense budget request being considered by Congress.

If you approve this approach, Secretary Brown will ask the Authorization and Appropriations Committees to reflect such a realignment in the 1979 Defense Authorization and Appropriations Bill. The detailed funding impact would be developed by Defense and OMB staff.

I recommend that you approve the Defense proposal.

☒ Approve the elimination of the attack submarine from the 1979 budget and use savings for claims settlements. (Defense proposal)

☐ Disapprove the Defense proposal.

Attachment

[Signature]

THE WHITE HOUSE

WASHINGTON

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *She*

SUBJECT:

Navy Shipbuilding Claims

I concur with Jim McIntyre's recommendation that the funds for shipbuilding claims settlements be taken out of existing budget ceilings.

Attached is a one page memo from Admiral Rickover expressing concern over the settlement that may now be forthcoming with the third Navy shipbuilder, Tenneco. The Admiral points out that the Tenneco situation is considerably different from the other two cases. With General Dynamics and Litton the Navy was able to propose settlements far larger than their own best estimates of the amounts owed because the contractors were still saddled with huge losses. It was these losses that kept the settlements from setting undesirable precedents that would encourage the contractors to file large unjustified claims in the future.

In the case of Tenneco, however, any settlement will be adding to the contractor's profits rather than limiting its losses. Obviously any settlement that goes beyond what the Navy staff feels is owed could set a dangerous precedent, and could create political difficulties with the Congress, especially in light of Senator Proxmire's recent criticism of the General Dynamics and Litton settlements. Moreover, it appears that the Justice Department's fraud investigation of the Tenneco claims is being very actively pursued, leaving open the possibility that the Navy might propose settlements of Tenneco claims that might later be found fraudulent.

These factors suggest that any settlement proposed in the Tenneco case should be carefully reviewed by OMB before it is announced.

ADMINISTRATIVELY CONFIDENTIAL

NEWPORT NEWS SHIPBUILDING CLAIMS AGAINST THE NAVY

Now that the Secretary of the Navy has reached agreement with Litton and Electric Boat to resolve their shipbuilding claims, the Navy Secretariat is negotiating with Mr. John P. Diesel, Chairman of the Board of Newport News, to resolve the Newport News claims.

The Newport News situation is markedly different than that of Litton and Electric Boat in that Newport News is not faced with overall losses on Navy shipbuilding contracts; whereas, they are faced with major losses on their commercial shipbuilding contracts.

The ceiling price adjustments requested in the outstanding Newport News claims against the Navy total \$742 million. Newport News estimates that if the claims were accepted at face value, they would receive \$346 million, due to cost sharing provisions in the contracts. The 1977 Tenneco Annual Report to stockholders states that Newport News has booked \$186 million as expected revenue from the claims.

Actually, these claims are so inflated that if Newport News were paid \$186 million, overall they would recover all costs on the two carriers, three cruisers, and seven submarines covered by the claims plus a gross profit of about 5 percent. Also, by booking \$186 million income from these claims, Newport News has been able to report record profits for the past two years, while simultaneously writing off at least \$85 million losses in commercial shipbuilding.

Detailed analysis done by the Navy Claims Settlement Board shows that Newport News is contractually entitled to far less than the booked income of \$186 million even if liberal amounts are included for litigative risk and litigative cost. Mr. Diesel does not want to settle the Navy claims for amounts that would require a reduction in profit projections previously projected to stockholders. This is the principal reason that the Newport News claims have not been settled and is the crux of the present problem.

The largest Newport News claim is a request for a ceiling price increase of \$221 million for the NIMITZ and DWIGHT D. EISENHOWER. Without any recovery on this claim, Newport News expects to recover all costs, including \$7.6 million of costs which are not allowable against the Navy contract, plus a profit of about \$26 million.

The Navy's detailed analysis of the Newport News claims indicated that they include hundreds of millions of dollars for items for which Newport News has already been paid; or for costs that were never incurred; or for multiple claims for the same costs; or for costs that are the contractual responsibility of Newport News. In total, the Newport News claims are so inflated that the company can accept settlements at a small fraction of the face amounts of the claims and still recover all actual costs plus the profit desired by Newport News. The Navy has referred the results of its analyses to the Justice Department for review to determine if the Newport News claims violate federal false claims or fraud statutes.

If the Navy proposes to pay extra amounts to get Newport News to agree to settle their claims, the settlement offer should be reviewed very carefully to ensure that the Administration is not later embarrassed by a disclosure that public funds were improperly given away to satisfy the demands of the contractor based on what may ultimately prove to be fraudulent or false claims.

JUNE 23rd MEMO



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

9

MEMORANDUM FOR: THE PRESIDENT
FROM: James T. McIntyre, Jr. *Jim*
SUBJECT: Shipbuilding Claims

We continue to follow the shipbuilding issue closely, and I thought you might be interested in a status report on the claims settlements. As you know, the Navy recently concluded agreements with General Dynamics and Litton for the settlement of \$1.6 billion in shipbuilding claims (2/3 of the outstanding \$2.4 billion in claims). These settlements would result in Navy payments of \$865 million plus potential additional liabilities of over \$100 million. An agreement with the third major claimant, Tenneco, may be concluded in the near future for the settlement of \$.7 billion in Newport News claims.

The Settlements

The General Dynamics settlement covers claims resulting from the construction of 18 SSN 688 class nuclear submarines at the Electric Boat yard. Under the settlement, General Dynamics accepts a loss of over \$350 million. The Navy will pay General Dynamics \$418 million of which \$359 million would be paid immediately. Under the settlement, GD is protected against higher future inflation (above the contract's 6-7 percent), and would retain 50% of all increased productivity savings generated by improving upon past performance. Improved productivity (Newport News is delivering 688's at \$40-50M less than GD) and the tax loss write-off benefits may still permit an overall GD profit on this program. "Improved productivity" can be generated at high cost to the government, if GD transfers effort from (and therefore delays further) the TRIDENT program -- whose lead ship is being built on a quite flexible "cost" contract -- and applies that effort to the 688 schedule.

The Litton claim of \$1,088 million was for construction of 5 LHA amphibious ships and the DD 963 class destroyers at the Pascagoula, Mississippi yard. Litton accepts a loss of \$200 million. The Navy will pay Litton \$447 million, of which \$97 million would be paid immediately.

Both settlements require changes to existing contracts and are subject to the provisions of Public Law 85-804, which requires formal notification to the Armed Services Committees of the intent to alter the contracts and gives either House of the Congress 60 days (continuous session) to disapprove the settlement. If no Congressional action is

taken, Navy can proceed with the settlements. Initial payments of about \$456 million could be made in late September. (\$359 to GD and \$97 to Litton).

While we cannot predict with complete confidence, we should expect Senator Proxmire to hold highly publicized hearings during the upcoming recess. Proxmire will argue "giveaway," citing the recent record profits of the corporations involved, and is likely to call Admiral Rickover as a central and sympathetic witness.

Budget Authority

Additional funds for claims settlement could be obtained by a FY 1978 supplemental, an amendment to the 1979 budget, a reprogramming of existing funds, or by suggesting to the Appropriations Committees that they appropriate extra money. The last approach is favored by the Navy; they seek \$388 million. We favor a reprogramming of existing funds, particularly in light of our general posture on budget supplementals and our concern that extra program costs such as these claims not be viewed by the agencies as "free" additional expenditures.

Outlay Impact

If claims payments of \$456 million are made in fiscal year 1978, we should be careful to distinguish these extraordinary outlays from regular program execution outlays. Outlays for claims do not imply any systemic improvement in the outlay shortfall problem we discussed with you in the Spring Preview.

Remaining Problems

Settlement of the claims disputes with Litton and General Dynamics does not solve the Navy's shipbuilding or funding problems. Although the Navy is making a crash effort to solve its differences with Newport News Shipbuilding, that problem is not resolved. For example, we still do not have a "definitized" contract for the nuclear carrier CVN-70, even though Newport News was awarded a "letter" contract for the ship 4 years ago. Newport News withdrew its previously submitted proposal for a definitized contract within the past few weeks, subsequent to the announcement of the claims settlement with General Dynamics. If the CVN-71 is added to the 1979 budget by Congress, Navy is likely to start work on it with another letter contract to Newport News since this is the only shipyard in the nation capable of building these large ships.

Further, the settlement with the Electric Boat Division of General Dynamics does not address at all the schedule delays and cost increases in the TRIDENT program. As we pointed out in March, Defense's new 5-year

shipbuilding plan includes no funds for cost growth in prior year programs. In each of the last 8 years, an average of \$.6 billion has been included in each budget for cost growth in prior years' programs. It is now apparent that the announced slips in the TRIDENT program will require \$.5 to \$1.0 billion in the 1980 budget to cover cost growth for the 7 TRIDENT ships budgeted for in 1978 and earlier years. We hope to work with the Navy to address these continuing difficulties, and we will report to you by Labor Day on the results of the study you asked us to do on case studies of recent shipbuilding programs.

THE WHITE HOUSE

WASHINGTON

Date: June 30, 1978

Heard 7/1 Mon
Deled to C.D.
12 noon. 7/8
MEMORANDUM

FOR ACTION:

Zbig Brzezinski *attached*
word for CC

FOR INFORMATION:

Vice President *7/8 12 noon*
Stu Eizenstat *12 noon for comment*
Frank Moore
Dh. C.

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Jim McIntyre memo re Shipbuilding Claims Funding

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 9:00 am

DAY: Tuesday

DATE: July 4th

7/8 for 12 noon
12 noon for comment
Richard
3/7 am -
continue to 12 noon
SE - Mon Aug
Heard

ACTION REQUESTED:

Other: ☒ Your comments

STAFF RESPONSE:

☐ I concur. ☐ No comment.
Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

23 JUN 1978

23 JUN 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. McIntyre, Jr. (Signed) Jim McIntyre

SUBJECT: Shipbuilding Claims

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Outlay Impact

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Further, the settlement with the Electric Boat Division of General Dynamics does not address at all the schedule delays and cost increases in the TRIDENT program. As we pointed out in March, Defense's new 5-year

shipbuilding plan includes no funds for cost growth in prior year programs. In each of the last 8 years, an average of \$56 billion has been included in each budget for cost growth in prior years' programs. It is now apparent that the announced slips in the TRIDENT program will require \$.5 to \$1.0 billion in the 1980 budget to cover cost growth for the 7 TRIDENT ships budgeted for in 1978 and earlier years. We hope to work with the Navy to address these continuing difficulties, and we will report to you by Labor Day on the results of the study you asked us to do on case studies of recent shipbuilding programs.

THE WHITE HOUSE

WASHINGTON

Date: June 30, 1978

MEMORANDUM

FOR ACTION:

☒ Zbig Brzezinski

FOR INFORMATION:

Vice President
Stu Eizenstat
Frank Moore

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Jim McIntyre memo re Shipbuilding Claims Funding

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 9:00 am

DAY: Tuesday

DATE: July 4th

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

See Dr. Brzezinski's comment on next page.

7/3/78

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

June 30, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. McIntyre, Director *James*

SUBJECT: Decision Memo - Shipbuilding Claims Funding

*I concur - though
I expect the Congressional
reaction to be quite
critical*
2.B
7/3/78

In my memo to you of June 23 (attached), I reported on recent claims settlements concluded by the Navy with General Dynamics and Litton. The Navy has sufficient funds in hand to cover all but \$208 million of the settlements. To cover this amount, and to provide for the future settlement of Tenneco (Newport News) shipbuilding claims, the Department of Defense proposes to eliminate the attack submarine included in the 1979 budget at about \$325 million. Some additional funds associated with long lead components for future submarines may also be identified as savings. In any case, this proposal will not change the total 1979 Defense budget request being considered by Congress.

If you approve this approach, Secretary Brown will ask the Authorization and Appropriations Committees to reflect such a realignment in the 1979 Defense Authorization and Appropriations Bill. The detailed funding impact would be developed by Defense and OMB staff.

I recommend that you approve the Defense proposal.

- ☐/ Approve the elimination of the attack submarine from the 1979 budget and use savings for claims settlements. (Defense proposal)
- ☐/ Disapprove the Defense proposal.

Attachment

23 JUN 1978

23 JUN 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. McIntyre, Jr. (Signed) Jim McIntyre

SUBJECT: Shipbuilding Claims

We continue to follow the shipbuilding issue closely, and I thought you might be interested in a status report on the claims settlements. As you know, the Navy recently concluded agreements with General Dynamics and Litton for the settlement of \$1.6 billion in shipbuilding claims (2/3 of the outstanding \$2.4 billion in claims). These settlements would result in Navy payments of \$865 million plus potential additional liabilities of over \$100 million. An agreement with the third major claimant, Tenneco, may be concluded in the near future for the settlement of \$.7 billion in Newport News claims.

The Settlements

The General Dynamics settlement covers claims resulting from the construction of 18 SSN 688 class nuclear submarines at the Electric Boat yard. Under the settlement, General Dynamics accepts a loss of over \$350 million. The Navy will pay General Dynamics \$418 million of which \$359 million would be paid immediately. Under the settlement, GD is protected against higher future inflation (above the contract's 6-7 percent), and would retain 50% of all increased productivity savings generated by improving upon past performance. Improved productivity (Newport News is delivering 688's at \$40-50M less than GD) and the tax loss write-off benefits may still permit an overall GD profit on this program. "Improved productivity" can be generated at high cost to the government, if GD transfers effort from (and therefore delays further) the TRIDENT program -- whose lead ship is being built on a quite flexible "cost" contract -- and applies that effort to the 688 schedule.

The Litton claim of \$1,088 million was for construction of 5 LHA amphibious ships and the DD 963 class destroyers at the Pascagoula, Mississippi yard. Litton accepts a loss of \$200 million. The Navy will pay Litton \$447 million, of which \$97 million would be paid immediately.

Both settlements require changes to existing contracts and are subject to the provisions of Public Law 85-804, which requires formal notification to the Armed Services Committees of the intent to alter the contracts and gives either House of the Congress 60 days (continuous session) to disapprove the settlement. If no Congressional action is

taken, Navy can proceed with the settlements. Initial payments of about \$456 million could be made in late September. (\$359 to GD and \$97 to Litton).

While we cannot predict with complete confidence, we should expect Senator Proxmire to hold highly publicized hearings during the upcoming recess. Proxmire will argue "giveaway," citing the recent record profits of the corporations involved, and is likely to call Admiral Rickover as a central and sympathetic witness.

Budget Authority

Additional funds for claims settlement could be obtained by a FY 1978 supplemental, an amendment to the 1979 budget, a reprogramming of existing funds, or by suggesting to the Appropriations Committees that they appropriate extra money. The last approach is favored by the Navy; they seek \$388 million. We favor a reprogramming of existing funds, particularly in light of our general posture on budget supplementals and our concern that extra program costs such as these claims not be viewed by the agencies as "free" additional expenditures.

Outlay Impact

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Remaining Problems

Settlement of the claims disputes with Litton and General Dynamics does not solve the Navy's shipbuilding or funding problems. Although the Navy is making a crash effort to solve its differences with Newport News Shipbuilding, that problem is not resolved. For example, we still do not have a "definitized" contract for the nuclear carrier CVN-70, even though Newport News was awarded a "letter" contract for the ship 4 years ago. Newport News withdrew its previously submitted proposal for a definitized contract within the past few weeks, subsequent to the announcement of the claims settlement with General Dynamics. If the CVN-71 is added to the 1979 budget by Congress, Navy is likely to start work on it with another letter contract to Newport News since this is the only shipyard in the nation capable of building these large ships.

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shipbuilding plan includes no funds for cost growth in prior year programs. In each of the last 8 years, an average of \$56 billion has been included in each budget for cost growth in prior years' programs. It is now apparent that the announced slips in the TRIDENT program will require \$.5 to \$1.0 billion in the 1980 budget to cover cost growth for the 7 TRIDENT ships budgeted for in 1978 and earlier years. We hope to work with the Navy to address these continuing difficulties, and we will report to you by Labor Day on the results of the study you asked us to do on case studies of recent shipbuilding programs.

IMM
PRECEDENCE

CONF
CLASSIFICATION

FOR COMMCENTER USE ONLY

FROM: Bill Simon
TO: Phil Wise for
The President
INFO:

DEX _____

DAC 040

LDX _____

TTY _____

GPS _____

PAGES 9

CITE _____

DTG: 081607Z Jul 78

RELEASED BY: PD

TOR: 081643Z Jul 78

SPECIAL INSTRUCTIONS:

//TO CAMP 031//

1978 JUL 8 16 07

7/8
235

Phil called

"approved 200 proposal"

left message w/ Fred Walker, Comptroller
356-7692

THE WHITE HOUSE
WASHINGTON

7/8/78

Mr. President:

Zbig concurs but expects
the congressional reaction
to be quite critical.

Congressional Liaison has
no comment.

Stu's comments are attached.

Your decision is requested
at your soonest convenience
as DoD will be testifying
on Monday.

Rick/Bill



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

June 30, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. McIntyre, Director *JTM*

SUBJECT: Decision Memo - Shipbuilding Claims Funding

In my memo to you of June 23 (attached), I reported on recent claims settlements concluded by the Navy with General Dynamics and Litton. The Navy has sufficient funds in hand to cover all but \$208 million of the settlements. To cover this amount, and to provide for the future settlement of Tenneco (Newport News) shipbuilding claims, the Department of Defense proposes to eliminate the attack submarine included in the 1979 budget at about \$325 million. Some additional funds associated with long lead components for future submarines may also be identified as savings. In any case, this proposal will not change the total 1979 Defense budget request being considered by Congress.

If you approve this approach, Secretary Brown will ask the Authorization and Appropriations Committees to reflect such a realignment in the 1979 Defense Authorization and Appropriations Bill. The detailed funding impact would be developed by Defense and OMB staff.

I recommend that you approve the Defense proposal.

- ☐ Approve the elimination of the attack submarine from the 1979 budget and use savings for claims settlements. (Defense proposal)
- ☐ Disapprove the Defense proposal.


Attachment

EIZENSTAT COMMENTS

THE WHITE HOUSE

WASHINGTON

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT 
SUBJECT: Navy Shipbuilding Claims

I concur with Jim McIntyre's recommendation that the funds for shipbuilding claims settlements be taken out of existing budget ceilings.

Attached is a one page memo from Admiral Rickover expressing concern over the settlement that may now be forthcoming with the third Navy shipbuilder, Tenneco. The Admiral points out that the Tenneco situation is considerably different from the other two cases. With General Dynamics and Litton the Navy was able to propose settlements far larger than their own best estimates of the amounts owed because the contractors were still saddled with huge losses. It was these losses that kept the settlements from setting undesirable precedents that would encourage the contractors to file large unjustified claims in the future.

In the case of Tenneco, however, any settlement will be adding to the contractor's profits rather than limiting its losses. Obviously any settlement that goes beyond what the Navy staff feels is owed could set a dangerous precedent, and could create political difficulties with the Congress, especially in light of Senator Proxmire's recent criticism of the General Dynamics and Litton settlements. Moreover, it appears that the Justice Department's fraud investigation of the Tenneco claims is being very actively pursued, leaving open the possibility that the Navy might propose settlements of Tenneco claims that might later be found fraudulent.

These factors suggest that any settlement proposed in the Tenneco case should be carefully reviewed by OMB before it is announced.

ADMINISTRATIVELY CONFIDENTIAL

NEWPORT NEWS SHIPBUILDING CLAIMS AGAINST THE NAVY

Now that the Secretary of the Navy has reached agreement with Litton and Electric Boat to resolve their shipbuilding claims, the Navy Secretariat is negotiating with Mr. John P. Diesel, Chairman of the Board of Newport News, to resolve the Newport News claims.

The Newport News situation is markedly different than that of Litton and Electric Boat in that Newport News is not faced with overall losses on Navy shipbuilding contracts; whereas, they are faced with major losses on their commercial shipbuilding contracts.

The ceiling price adjustments requested in the outstanding Newport News claims against the Navy total \$742 million. Newport News estimates that if the claims were accepted at face value, they would receive \$346 million, due to cost sharing provisions in the contracts. The 1977 Tenneco Annual Report to stockholders states that Newport News has booked \$186 million as expected revenue from the claims.

Actually, these claims are so inflated that if Newport News were paid \$186 million, overall they would recover all costs on the two carriers, three cruisers, and seven submarines covered by the claims plus a gross profit of about 5 percent. Also, by booking \$186 million income from these claims, Newport News has been able to report record profits for the past two years, while simultaneously writing off at least \$85 million losses in commercial shipbuilding.

Detailed analysis done by the Navy Claims Settlement Board shows that Newport News is contractually entitled to far less than the booked income of \$186 million even if liberal amounts are included for litigative risk and litigative cost. Mr. Diesel does not want to settle the Navy claims for amounts that would require a reduction in profit projections previously projected to stockholders. This is the principal reason that the Newport News claims have not been settled and is the crux of the present problem.

The largest Newport News claim is a request for a ceiling price increase of \$221 million for the NIMITZ and DWIGHT D. EISENHOWER. Without any recovery on this claim, Newport News expects to recover all costs, including \$7.6 million of costs which are not allowable against the Navy contract, plus a profit of about \$26 million.

The Navy's detailed analysis of the Newport News claims indicated that they include hundreds of millions of dollars for items for which Newport News has already been paid; or for costs that were never incurred; or for multiple claims for the same costs; or for costs that are the contractual responsibility of Newport News. In total, the Newport News claims are so inflated that the company can accept settlements at a small fraction of the face amounts of the claims and still recover all actual costs plus the profit desired by Newport News. The Navy has referred the results of its analyses to the Justice Department for review to determine if the Newport News claims violate federal false claims or fraud statutes.

If the Navy proposes to pay extra amounts to get Newport News to agree to settle their claims, the settlement offer should be reviewed very carefully to ensure that the Administration is not later embarrassed by a disclosure that public funds were improperly given away to satisfy the demands of the contractor based on what may ultimately prove to be fraudulent or false claims.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

C

MEMORANDUM FOR: THE PRESIDENT
FROM: James T. McIntyre, Jr. *Jim*
SUBJECT: Shipbuilding Claims

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ID 78 15

T H E W H I T E H O U S E

WASHINGTON

DATE: 26 JUN 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT

STU EIZENSTAT

ANNE WEXLER

ZBIG BRZEZINSKI

SUBJECT: MCINTYRE MEMO RE SHIPBUILDING CLAIMS

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: +
+++++

ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

7/10/78

rick--

attached is a quote president asked me to type.....since i haven't noticed him actually use it thus far, it probably would be a good idea to have filed somewhere or in some fashion where it is easily retrèivable.

thanks -- susan

THE WHITE HOUSE

WASHINGTON

21

The Meaning of Democracy

"Surely the Board knows what Democracy is. It is the line that forms on the right. It is the don't in don't shove. It is the hole in the stuffed shirt through which the sawdust slowly trickles; it is the dent in the high hat.

"Democracy is the recurrent suspicion that more than half of the people are right more than half of the time. It is the feeling of privacy in the voting booths, the feeling of communion in the libraries, the feeling of vitality everywhere.

"Democracy is a letter to the editor. Democracy is the score at the beginning of the ninth. It is an idea which hasn't been disproved yet, a song the words of which have not gone bad. It's the mustard on the hot dog and the cream in the rationed coffee.

"Democracy is a request from a War Board, in the middle of a morning in the middle of a war, wanting to know what democracy is."

E.B. White

(Written for the Writer's
War Board, July, 1943)

THE WHITE HOUSE
WASHINGTON

July 10, 1978

Jim McIntyre

The attached was returned in the President's outbox. It is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Zbig Brzezinski

RE: FOREIGN AID BUDGET RESPONSIBILITIES AND FUTURE COMMITMENTS

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
.	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

	VICE PRESIDENT
	EIZENSTAT
	JORDAN
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	WEXLER
/	BRZEZINSKI
/	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE
WASHINGTON

Mr. President:

Zbig concurs.

Rick/Bill



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

C
/

JUL 5 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: James T. McIntyre, Jr. *JTM*
SUBJECT: Foreign Aid Budget Responsibilities and
Future Commitments

I owe you a report on two issues which you requested me to help resolve, one in the context of your actions on development aid reorganization and the other during the spring budget review.

Foreign Aid Budget Procedures

In April, there appeared to be a major interagency dispute over whether State or AID should submit the development assistance budget to you. Secretary Vance believed it necessary to continue past practice under which he took full authority and responsibility for the final version of the AID budget request. OMB and AID believed direct submission from the Administrator -- with State Department comments -- would emphasize the independence from short-term foreign policy considerations which you directed for AID. You suggested that we be guided by procedures set up for the intelligence community.

Recently State, with AID acquiescence, has proposed a third procedure: the Secretary would retain the right to modify the AID request before submission. The Secretary would forward the AID budget to you, attaching any dissenting views or other comments which the Administrator might wish to make. Both agencies believe that this arrangement differs sufficiently from the past to satisfy congressional supporters of aid reorganization that we are not proceeding on a business-as-usual basis.

ok
JC

I believe that the proposed compromise can work and have agreed with the agencies that they should adopt it for the 1980 budget cycle; Henry Owen concurs. Because we will be breaking new ground, Ambassador Owen and I will carefully monitor this arrangement and will report to you during the fall budget sessions if there are problems. We will also make recommendations on extending further the DCI coordination analogy to other aspects of the foreign assistance program as we develop proposals to implement our development aid reorganization.

Off-Cycle Budget Commitments

Although I believe that State's proposal for managing the basic in-cycle budget decisions on development aid is feasible, I remain concerned about the lack of a systematic procedure for review during the rest of the year of individual foreign aid commitments above the current budget or for future years. Last week, Henry Owen and I pointed out one instance of this continuing problem, where a formal commitment for aid to Caribbean countries was made without prior review by us. We and State agree that the remedy is a clear set of procedures for centralized senior-level review of potential commitments developed elsewhere in the State Department (primarily in the various geographical and functional bureaus). Such a system would allow timely submission of proposals to you.

Although State has in the past week made an initial response to our efforts (see attached), State has not yet developed the specific procedural arrangements which we have requested. Our stance on the 1979 and 1980 budgets makes it absolutely essential that we bring potential commitments (which could easily add \$100-200 million to the budget) fully under control. Thus, if State does not establish appropriate procedures (the "new instructions" referenced in their attached letter) in the near future, I may find it necessary to ask you to remind them explicitly of your concern over this issue.

In any event, should the subject arise in your normal conversations with Secretary Vance, I believe it would be useful for you to mention the need to institute a workable control system within State, one that would allow you to review all such commitments and would prevent "surprises" like the Caribbean case.

ok

Attachment

*not
included*

THE WHITE HOUSE

WASHINGTON

July 5, 1978

②
1

MEMORANDUM FOR THE PRESIDENT

FROM: Jerry Rafshoon *JR*
SUBJECT: Draft NHI Directive

1. I strongly endorse the changes suggested by Charlie Schultz and Jim McIntyre.

2. The release of the directive should take place after your Bonn Trip.

3. You should not make any announcement at the time of the release and avoid expanding upon or even discussing the principles at length. You should turn away questions by saying the principles speak for themselves and you will await Secretary Califano's response.

4. Our primary goal should be to avoid making this a major issue, identified with you, at this time.

~~11:30 AM~~
11:45 a.m.

THE WHITE HOUSE

WASHINGTON

July 7, 1978

MEETING WITH MAYOR MAX HELLER (CANDIDATE FOR CONGRESS, 4-S.C.)

Monday, July 10, 1978

11:45 (2 minutes)

The Oval Office

From: Frank Moore *F.M./BR*

I) PURPOSE

A photo with the President

II) BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Max Heller is currently the Mayor of Greenville, South Carolina and is running as the Democratic candidate for Congress in the 4th District. This is the seat vacated by the retirement of Democratic Congressman Jim Mann. Heller is Austrian born and has been a very active mayor with a reputation for fine administration. He defeated State Representative Nick Theodore 53%-46% in the June 13 primary. His opponent is State Senator, Carroll Campbell who will have the backing of the Republican National Committee in terms of money and staff. Carroll will have access to national Republican speakers and is already running television spots. Congressmen John Jenrette and Ken Holland have both told us that this is the seat in South Carolina in which to channel resources. Heller has expressed some fear of being too closely tied to the Administration. Senator Fritz Hollings has also expressed a strong interest in Heller's campaign.

B. Participants: The President and Mayor Heller

C. Press Plan: White House Photographer

III) TALKING POINTS

1. The Urban Policy. He will be meeting with Bruce Kirschenbaum of Jack Watson's staff this afternoon.
2. Usual courtesies

11:55 AM

THE WHITE HOUSE

WASHINGTON

Monday, July 10, 1978

MEETING WITH LT. GOVERNOR DICK CELESTE

Oval Office
11:55 a.m. (two minutes)

- I. PURPOSE: Photo Opportunity
- II. BACKGROUND, PARTICIPANTS, PRESS:
- A. BACKGROUND: Lt. Governor Richard Celeste is the Democratic candidate for Governor for the State of Ohio, with a united Democratic Party behind him. His brother, Ted, who ran your initial campaign in Ohio is managing Dick's campaign. His running mate, Mike Dorrian, a 47 year old County Commissioner (Franklin County), has a background in housing and city management. He served as an assistant to the Mayor of Columbus from 1964-1968.
- B. PARTICIPANTS: The President
Richard F. Celeste, Lt. Governor of Ohio
Michael Dorrian, Candidate for Lt. Governor
Dagmar Celeste, Wife of Candidate
- C. PRESS: White House Photo
Wire Service Photographer

III. TALKING POINTS:

Ask Dick for his assessment of the situation in Ohio; his campaign themes, his opponent's and the effect of the recall campaign in Cleveland (Cuyahoga County); acknowledge that we are aware of Paul Tipp's request to the President to come to Ohio on September 23 for the fundraiser and the state convention; you might say your staff is working on this.

Rosalynn
J

The Harris Survey

40% Think the Quality of Life Has Improved Over 10 Years

For the first time in recent years, more Americans (40 to 38 percent) report that the quality of life has improved over the past 10 years rather than grown worse. In 1973, 51 percent felt the opposite.

Ninety-two percent feel that "controlling crime" is a high-priority item in contributing to the quality of life. The number of people who report that crime in their neighborhood is increasing declined from 70 to 46 percent over the past three years.

A substantial 88 percent continue to feel that "achieving quality education for children" is very important to making the quality of life better.

More than 80 percent feel it is very important to conserve energy in order to improve the quality of life. In 1976, 74 percent felt this way.

More than 80 percent also feel that curbing water pollution is very important in improving the quality of life, up from 70 percent in 1976. In addition, 72 percent give a high priority to curbing air pollution, up from 66 percent two years ago.

Seventy-eight percent feel that strictly enforcing safe working conditions is very important to enhancing the quality of life, up from 66 percent in 1976.

Seventy-four percent give a high priority to making products and services safer, up from 65 percent two years ago.

More than 70 percent feel that better nutrition is a major element in improving the quality of life, and 79 percent give a high priority to protecting the privacy of the individual.

Other areas given a high priority include improving the quality of products and services (68 percent); curbing noise pollution (57 percent); adequate public housing (61 percent); improved public transportation (59 percent); being able to move easily and freely

from place to place (58 percent), and employment opportunities for minorities (53 percent).

No more than 49 percent would give a high priority to having a wider choice of lifestyles, which represents a decline from the 59 percent who held that view in 1976.

The results of this Harris Survey of 1,567 adults nationwide indicate that the major concerns of Americans in the latter part of the 1970s are by no means centered on the physical acquisition of goods. Instead, they focus on the improvement of the environment in all its varied aspects. It is also apparent that many of the concerns of young people in the 1960s have been translated into broader objectives for society in the 1970s.

Between April 29 and May 6, the Harris Survey asked the cross-section:

Compared to 10 years ago, do you feel the quality of life in America has improved, grown worse or stayed about the same?

	Improved	Grown worse	Stayed about the same	Not sure
1978	40%	38%	19%	2%
1977	38%	39%	19%	4%
1976	31%	45%	21%	3%
1975	30%	51%	17%	2%
1973	35%	43%	15%	5%

As far as you personally are concerned, do you feel (READ LIST) is very important in making the quality of life better in this country, only somewhat important, or hardly important at all in making the quality of life better?

	1978	1976
Controlling crime	92%	x
Achieving quality education for children	88	81
Conserving energy	80	74
Curbing water pollution	81	70
Protecting privacy of the individual	79	60
Strictly enforcing safe working conditions	78	66
Making products and services safer	74	65
Curbing air pollution	72	66
Better nutrition	71	x
Improving the quality of products and services	68	63
Adequate public housing	61	x
Improving public transportation	59	x
Moving easily and freely from place to place	58	73
Curbing noise pollution	57	44
Employment opportunity for minorities	53	59
Having a wide choice of lifestyle	49	59

THE WHITE HOUSE
WASHINGTON

July 10, 1978

Jack Watson

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Secretary Kreps

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		FOR INFORMATION
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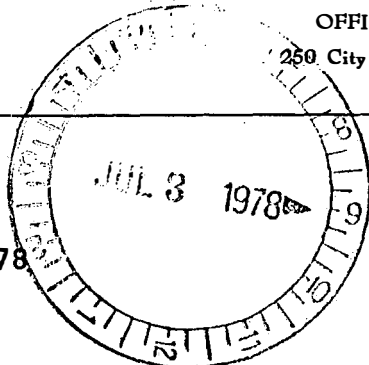
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		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

7

WILLIAM DONALD SCHAEFER, Mayor
OFFICE OF THE MAYOR • CITY OF BALTIMORE
250 City Hall, Baltimore, Maryland 21202, (301) 396-3100



June 28, 1978

The Honorable Jimmy Carter
President of the United States
of America
The White House
1600 Pennsylvania Avenue
Washington, D. C. 20005

In reply refer to: MO-1

Jack I called him
J

cc Kreps

Dear Mr. President:

When you were unable to take my telephone call the other day, I was referred to Mr. Jack Watson. My first contact with Mr. Watson was early in your Administration. He was able to untangle and unsnarl bureaucratic red tape and was instrumental in assisting us in what could have been an embarrassing situation. That, of course, made me very "pro Jack Watson." The reason for my call was to report to you on some happenings at the meeting of the United States Conference of Mayors in Atlanta. I particularly attended this meeting because Baltimore was honored in receiving three awards -- the first for rehabilitating City Hall, the second for having an outstanding volunteer program, and the third as the recipient of a Robert Wood Johnson Foundation health services grant.

I was impressed that so many high ranking members of your Cabinet attended the conference. The first Administration presentation was made by Secretary Pat Harris, who reaffirmed your commitment and her commitment to the cities. Her address was forceful and interesting. Vice President Mondale also made a very fine affirmative speech, again reassuring the Mayors that you intended to "push hard" for your urban policy to help cities of need and the residents who live in these cities. The third speech was by Secretary Kreps and the same theme was in evidence -- reasserting the commitment of President Jimmy Carter to the cities. She underscored your intention to working hard to have the necessary legislation passed by Congress. My impression throughout the conference was that this was not just speech making, but demonstrated a sincere desire and emphasis on your part and the part of your Administration to be of assistance to cities. Incidentally, one of the best attended workshops included a panelist from HUD, to wit,



America's Best
BALTIMORE
All-America City '76-77

The Honorable Jimmy Carter
June 28, 1978
Page 2

Robert Embry. He is highly regarded by Mayors across the country because of his knowledge and his desire to increase the housing stock for low and middle income persons, as well as those in upper income brackets.

During your campaign, you visited Baltimore twice and actually toured many neighborhoods. You may not recall it, but you presented to me a copy of your urban policy statement. After I read it, I mentioned to you that it was a powerful plank and one which, if enacted, would help our cities. I am very pleased to say that you have kept that commitment and, in my mind, have gone even further in trying to be of assistance to our cities. While I was sure you meant what you said when you proposed the legislation, I left the conference with greater confidence, and I have so stated to our news media and to the people in our city.

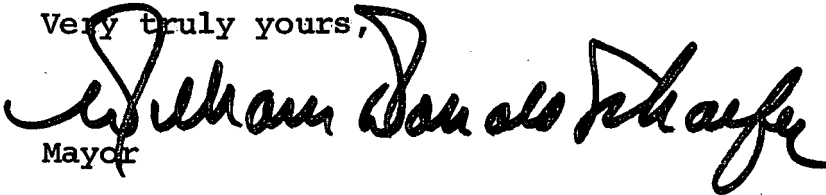
We are one of ten cities to be designated a Commerce City, and when I returned to Baltimore the "Commerce City Team," attended by Acting Deputy Under Secretary Larry Houstoun, Dianne Semington, and about 25 or 30 "top level" members of the Department of Commerce, held a one day work session in our city. In my 20 years of Government service, I have never seen anything like this. Every member of the team was enthusiastic, positive, and helpful. All of our local representatives were just overwhelmed to think that the Department of Commerce would send such a high level team to assist us in our programs in economic development, tourism, loans, etc. The team made us feel that they really wanted to help and that if we were successful it would mean that they were successful also. They offered resources and technical advice that we did not know existed. We had previously worked with other members of the team, for example, John Corrigan, Region III Director of the E.D.A., and have always found him to be exceptionally helpful. Never before have the resources and the positive attitude of the Federal Government been so much in evidence. This is certainly a tribute to Secretary Kreps and the entire team.

Baltimore is a good city and while we do depend heavily on Federal and State aid, we have made great strides "on our own." We do not expect everything to be handed to us, but we do appreciate all the Federal aid that we have received to help make our city move.

The Honorable Jimmy Carter
June 28, 1978
Page 3

I mentioned all this to Jack Watson, and told him that in each one of my speeches around the city and throughout the state it is my intention to tell the people that I feel that President Carter is committed to help the cities, not only with words, but with action.

Very truly yours,


Mayor

THE WHITE HOUSE
WASHINGTON

July 10, 1978

Stu Eizenstat

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson
DOMESTIC POLICY STAFF WEEKLY STATUS
REPORT

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	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE

WASHINGTON

July 7, 1978

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/

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Domestic Policy Staff Weekly Status Report

CIVIL SERVICE

The House Committee adopted our veterans preference compromise. Key elements include 15 years - one time use preference for employment testing, 8 years absolute preference during "reduction in force", and our retired veterans proposals unchanged. Our "rule of three" amendment was defeated. We also lost an amendment to ease the standard of proof for disciplining a federal employee, and will fight this on the floor. The volatile issue of labor relations will be up when the Committee resumes work after recess and we will continue to work with Frank's staff and Scotty Campbell on legislative policy strategy. In the Senate, the bill was voted from Committee on June 29. The Ribicoff - Javits EEOC-CSC compromise amendment was adopted. Two highly objectionable Mathias amendments (one requiring OPM Director removal only for cause) were adopted by the Committee. The Chairman voted for the two as a tactical move to get the bill reported, and we hope to remove them on the floor.

Blue Collar Pay Cap: The Senate approved a 5.5% pay cap on all blue collar employees as an amendment to the Treasury, Postal Service, and General Government Appropriations bill. The House does not have a similar amendment to its appropriations bill, but it is expected that the Senate conferees will prevail. Defense estimates that the blue collar pay cap will save \$260 million this year. Unfortunately, the Senate also added the Dole oil import amendment to this bill which you are familiar with.

INTEGRITY AND OPENNESS IN GOVERNMENT

Lobby Law Reform: The bill has passed the House, completed Senate hearings, and is in Senate committee mark-up. Completion of mark-up will occur after the recess.

COMMUNICATIONS

We are exploring possible changes in the equal time law. A decision memo will be drafted.

HOUSING AND COMMUNITY DEVELOPMENT

New York City Financing: Conference committee action is scheduled for Monday, July 10. The Senate version provides only \$1.5 billion, and more important, contains a one-house veto provision which would jeopardize the City financing package. We will seek to have these and other restrictive conditions modified in Conference.

Urban Policy: Continuing to work closely with Anne, OMB and agencies.

HUMAN RESOURCES

Welfare Reform: The fiscal relief package which Senators Long, Moynihan, and Cranston have advanced with the label "welfare reform" is creating strains among the supporters of welfare reform, including the AFL-CIO (because of AFSCME's interest in fiscal relief). We are continuing (a) to insist that reform of the system must accompany fiscal relief and (b) to work with the Agencies and key groups on an "incremental" bill the Administration can endorse.

Pension Commission: We met with Jim McIntyre early last week to discuss our need to select a new chairman and finalize recommended appointments. Jim agrees with us that because of the broad social mandate of the commission and its non-technical nature, the members should be blue-ribbon types. Jim will be talking to Mr. Kirbo and forward through us to you three names for chairman. Because of the lengthy delays and widespread doubt within the pension community as to our commitment to name this commission, we have agreed to go ahead with the signing of the executive order. The language will be changed to indicate that the Commission will operate one year from the date of the Commission's first meeting. ?

Vietnam Veteran PRM: Agency work has been completed. However, additional consultation with veterans' groups and key members of Congress is needed. We would propose to submit this to you immediately on your return from Bonn.

Veterans' Pensions: Not unexpectedly, the House passed a highly inflationary bill last week. Both OMB and VA agree that your best strategy is to work with the conference committee with some personal intervention on your part. We will brief you at the appropriate time.

ENERGY

Summit: Pursuant to your instructions, I convened a meeting of your key advisers to discuss the Administration's posture on energy at the Bonn Summit. You have Henry Owen's memorandum, and my own memo expressing my deep concerns.

THE WHITE HOUSE
WASHINGTON

July 10, 1978

Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson
cc: Hamilton Jordan
RE: TURKISH ARMS EMBARGO

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	IMMEDIATE TURNAROUND
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	KRAFT
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✓	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

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	WARREN
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	BERGLAND
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	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE
WASHINGTON

June 29, 1978

MEMORANDUM TO: THE PRESIDENT

FROM: FRANK MOORE *FM*
HAMILTON JORDAN *HJ*

SUBJECT: CONGRESSIONAL TELEPHONE CALLS:
TURKISH ARMS EMBARGO

It appears likely that the Senate will vote on the Turkish Arms Embargo the week of July 17th. We will ask Senator Byrd to schedule debate on the 19th and the vote on the 20th. With the Congressional recess and the Bonn Summit your time to lobby Members will be severely restricted. We propose, therefore, that you call the following Senators over the recess to urge their support for lifting the embargo:

or From AF 1

Senator Chiles -- Voted against embargo in May and July 1975.

(in Alaska)

~~Senator Dole -- Voted for embargo in May 1975.
Voted for partial lifting July 1975.~~

Senator Long -- Did not vote May 1975. Voted against embargo July 1975. Has told Pentagon he is leaning toward support of repeal.

✓ Senator Hollings -- Voted for embargo in May and July 1975. Told Secretary of State earlier this year he was leaning toward supporting repeal, but has recently grown more cautious and we are now unsure of his actual position. *L - "Will listen Mon Wite"*

✓ Senator Jackson -- Voted for arms embargo in May and July 1975. Has told State Department he is undecided this time. *? = Will study issue*

✓ Senator Allen -- No voting record. Her husband voted for the embargo in May and July 1975.

Open mind. Will try to help. Will meet Mon & Vance ?

*Frank -
Jill call long/Chiles
this week
J*

- ✓ Senator Muskie -- Voted against the embargo in May 1975. Voted for the embargo July 1975. Says he is studying the question now but seems to be leaning against lifting embargo. *? Will talk further - Vance & Brown*
- ✓ Senator Nelson -- Voted for the embargo in May and July 1975. Tells State Department (Nimetz) he has open mind. *L +*
- ✓ Senator Kennedy -- Has always voted for embargo. *(-)*
May change with Presidential effort. Personal meeting - advised statement of principles
- Senator Huddleston -- Voted against embargo in May and July 1975. Told Pentagon he is leaning toward supporting repeal. *Told F. Moore he would help*
- ✓ Senator Glenn -- Voted to lift embargo in May and July 1975. Abstained in Senate Foreign Relations Committee May 1978. Deeply troubled by issue. *L + - staff working on it this past week*
- Note: The SFRC refused to remove the embargo by an 8 to 4 vote. We must remove the embargo by amendment from the floor. We will work with Senator Byrd on sponsors and procedures.

The Bill has been reported from committee.

THE WHITE HOUSE
WASHINGTON

July 10, 1978

Bob Strauss

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

cc: Rick Hutcheson
The Vice President
Stu Eizenstat
Zbig Brzezinski
Charlie Schultze

THE WHITE HOUSE
WASHINGTON

Mr. President:

Brzezinski, McIntyre and
Schultze concur.

Rick/Bill

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

JUN 30 1978

MEMORANDUM FOR THE PRESIDENT

FROM : Ambassador Robert S. Strauss

SUBJECT : Trade Agreement with Finland

We propose to sign a minor trade agreement with Finland restoring the substance of an earlier U.S. tariff concession on papermaking machinery.

The United States agreed in the Kennedy Round to reduce the duty on papermaking machinery to 3.5%. However, in 1977 the U.S. Customs Service determined that a court decision would oblige them to reclassify many papermaking machinery components under tariff items carrying higher rates of duty. Finland, an important exporter of this machinery, protested the impending ruling since it would impair the substance of the Kennedy Round concession.

To solve this problem, the Finns and we worked out the proposed agreement, which would restore the substance of the Kennedy Round concession by creating sub-items dutiable at 3.5% for four principal components of papermaking machinery. Under the reclassification these components now carry rates of 4.5-6 percent.

U.S. imports of papermaking machinery and components in 1976 were valued at \$30.3 million. Finland was principal supplier in that year with \$10.4 million in sales. No statistics are available on the products affected by the Customs Service ruling or the proposed creation of the four sub-items.

The agreement has been carefully examined and approved by all agencies of the Executive Branch concerned with trade policy. We have informed the appropriate private sector advisory groups of our intention to sign and received no objections.

If you approve, Ambassador Wolff or I will sign the agreement on behalf of the United States early next month.

APPROVE

DISAPPROVE

THE WHITE HOUSE

WASHINGTON

Date: July 6, 1978

MEMORANDUM

FOR ACTION:

Zbig Brzezinski *concur by phone*
Jim McIntyre *concur by phone*

FOR INFORMATION:

Vice President
Stu Eizenstat
Frank Moore
Charlie Schultze *concur*

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Ambassador Strauss memo re Trade Agreement
with Finland

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 noon

DAY: Saturday

DATE: July 8

ACTION REQUESTED:

☒ Your comments
Other:

STAFF RESPONSE:

☐ I concur. ☐ No comment.
Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

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<input type="checkbox"/>	VANCE

**OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS**

WASHINGTON

July 7, 1978

To: The Staff Secretary
The White House

From: Todd Stewart, STR

If you have any questions on
the attached, please call me
at x5140.

THE WHITE HOUSE
WASHINGTON

July 10, 1978

Fran Voorde

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Phil Wise

The Coca-Cola Company

ATLANTA, GEORGIA

J. PAUL AUSTIN
CHAIRMAN OF THE BOARD

ADDRESS REPLY TO
P. O. DRAWER 1734
ATLANTA, GA. 30301
(404) 897-2121

June 22, 1978

Mr. Charles Kirbo
King & Spalding
2500 Trust Company Tower
Atlanta, Georgia 30303

Dear Charlie:

You will recall that at about this time last year I tried to arrange through you for President Carter to speak at the Annual Meeting of the National Foreign Trade Council. He excused himself, and logically so, saying that the first year in office he had to refuse extracurricular activities.

Another year has rolled around and the National Foreign Trade Council Chairman, Mr. James M. Roche (former head of General Motors) is more anxious than ever to have the President address this most prestigious trade group. Let me put it this way: If the President has a serious message (and when doesn't he) the Foreign Trade Council forum is absolutely the audience to address.

I attach copies of last year's correspondence to refresh your memory and I urge that we make every effort to get the President to reserve the evening of Tuesday, November 14, 1978, for an appearance at the Waldorf Astoria here in New York before the Council.

Hope fully you will see fit to put this on his desk.

I hope all goes well with you.

With kindest personal regards,

Sincerely,



J. Paul Austin

JPA:jk
atts.

Pres. Carter

*Frank -
polite "no"
J*

The Coca-Cola Company

ATLANTA, GEORGIA

J. PAUL AUSTIN
CHAIRMAN OF THE BOARD

ADDRESS REPLY TO
P.O. DRAWER 1734
ATLANTA, GA. 30301
404-897-2121

May 25, 1977

Mr. Charles Kirbo
King & Spalding
2500 Trust Company Tower
Atlanta, Georgia 30303

Dear Charlie:

The most prestigious trade group in the United States is the National Foreign Trade Council. Every American businessman remotely connected with foreign trade is in it. The current Chairman is Jim Roche, the recently retired Chairman of the General Motors Corporation. They hold an annual "World Trade Dinner." This year it is on November 15 in the Grand Ballroom of the Waldorf.

I had lunch yesterday with Jim Roche, a long time friend of mine, and he requested I invite President Carter to speak at this dinner. I informed him that President Carter (as is true with all Presidents) cannot make firm commitments far in advance of the actual date.

Jim Roche understood this situation very well and commented that since the National Foreign Trade Council does not send out the announcements of the speaker for the "World Trade Dinner" until mid-September, they could keep the speaker position open until that date. He further said if subsequently President Carter's plans changed at the last minute so that he could not speak at the dinner, the National Foreign Trade Council would be quite receptive to having his speech delivered by someone else, hopefully, a senior cabinet official.

Would you sound out the President on this? Tell him Jim and I would, obviously, understand a turndown but we are hoping for a "maybe."

Sincerely,

JPA:ec

P. S. Attached is some background information on this dinner.

The World Trade Dinner of the National Foreign Trade Convention, which is sponsored annually by the National Foreign Trade Council, is the culminating event of two days of Convention meetings providing the foremost forum for the analysis and discussion of our foreign economic policies and programs as they relate to the conduct of international trade and investment. The Dinner occasion is regarded as one of the most prestigious platforms for the delivery of major addresses.

The World Trade Dinner of this year's Sixty-Fourth National Foreign Trade Convention will be held in the Grand Ballroom of the Waldorf-Astoria, New York City, on Tuesday evening, November 15. The audience, numbering at least two thousand, will be comprised of business leaders from all parts of the country and abroad who are involved in international trade and investment. It will also include officials of other governments.

Through the years, the World Trade Dinner has been addressed by many outstanding leaders of our country. This roster of speakers includes: Secretary of State Dean Acheson; Nelson A. Rockefeller; Secretary of Commerce, John T. Connor; Winthrop W. Aldrich, Chairman of Chase National Bank; Frederic G. Donner, Chairman of General Motors Corporation; Thomas A. Murphy, Chairman of General Motors Corporation; Walter B. Wriston, Chairman of Citibank; Fred J. Borch, Chairman of General Electric Company and J. Kenneth Jamieson, Chairman of Exxon Corporation; and Lee A. Iacocca, President of Ford Motor Company.

The membership of the National Foreign Trade Council, comprises some six hundred companies drawn from a very broad cross section of highly diversified business interests from all over the country engaged in international trade and investment. The Council has long espoused a policy of continued expansion of foreign trade and investment. The Council is highly regarded by the business community as the outstanding spokesman on foreign economic policy and its interrelationship with domestic economic policy, expressing the consensus of the international business community on legislative and regulatory proposals and the development of sound economic policies. It is respected for its expertise and thoroughness and reflects the views of the broad spectrum of its constituency.

Attached is a list of the Council's Board of Directors, identifying their company affiliation.



NATIONAL FOREIGN TRADE COUNCIL, INC.

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L. W. FOLMAR, Texaco Inc.
STANLEY GEWIRTZ, Pan American World Airways, Inc.
STEPHEN J. GRIFFIN, The Gillette Company
R. W. GRIMBLE, E. I. du Pont de Nemours & Company
WILLIAM R. GURGANUS, Procter & Gamble International
R. H. HALL, Colgate-Palmolive International Inc.
EDWARD J. HEINE, JR., United States Lines, Inc.
WILLIAM G. HENDRICKSON, American Home Products Corporation
E. S. HOGLUND, Past-Chairman, NFTC
P. E. HOLLOWAY, Gulf Oil Corporation
MAYNARD W. JOHNSON, Allis-Chalmers Corporation
CURTIS M. KLAERNER, Mobil Oil Corporation
EDWARD S. LANDRETH, Sterling Products International Inc.
JOHN F. LOUGHRAN, Morgan Guaranty Trust Company of N.Y.
L. R. LYON, Fluor Corporation
DONALD L. MC INTOSH, NCR Corporation
E. A. MARTIN, Uniroyal International
ALFRED F. MIOSSI, Continental Illinois National Bank and Trust
Company of Chicago
ERNEST A. MITCHELL, Crown Zellerbach International Inc.
E. R. MOLINA, Ford Motor Company
JOHN D. J. MOORE, W. R. Grace & Co.
ROBERT D. MUSGJERD, International Harvester Company
HERBERT A. NAVIS, Standard Oil Company of California
JAMES T. NORMAN, International B. F. Goodrich Company
ROBERT M. NORRIS, National Foreign Trade Council, Inc.
ROBERT E. O'BRIEN, Moore-McCormack Lines, Inc.
WILLIAM S. OGDEN, The Chase Manhattan Bank N.A.

WILLIAM E. PARDOE, Union Carbide Corporation
HENRY G. PARKER III, Chubb & Son Inc.
GEORGE E. PHALEN, The First National Bank of Boston
ROBERT M. PIPPITT, Xerox Corporation
WYLIE S. ROBSON, Eastman Kodak Company
WILLIAM S. ROSE, Armco Steel Corporation
JUAN D. SANCHEZ, The Anaconda Company
HARVEY L. SCHWARTZ, International Basic Economy Corporation
EUGENE A. SEKULOW, RCA Corporation
THOMAS J. SMITH, Farrell Lines Incorporated
DEWEY H. STALLARD, Merck Sharp & Dohme International
HARRY TAYLOR, Manufacturers Hanover Trust Company
ARTHUR C. TENDLER, Babcock & Wilcox Company
IB THOMSEN, Goodyear International Corporation
W. E. TUCKER, Caltex Petroleum Corporation
CONSTANT M. van VLIERDEN, Bank of America N.T. & S.A.
MACK VERHYDEN, Caterpillar Tractor Co.
JEROME E. VIELEHR, The Coca-Cola Company
CHARLES H. WEAVER, Westinghouse Electric Corporation
PHILIP M. WILSON, Bankers Trust Company
B. H. WITHAM, International Business Machines Corporation

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BARBARA M. SUMMINS, Assistant Secretary

THE WHITE HOUSE

WASHINGTON

June 10, 1977

RECEIVED

JUN 13 1977

JPA

Dear Mr. Austin,

Through the courtesy of Mr. Kirbo, the President has received your good letter of May 25 encouraging him to accept the National Foreign Trade Council's invitation to address their annual "World Trade Dinner" being held in New York on Tuesday, November 15. He has asked me to let you know how much he appreciates your thoughtfulness, and that of Mr. Roche, in making this opportunity available to him.

Regrettably, however, I must advise you that you should not anticipate his being able to join you on this occasion. For, while it is too far in advance to know with certainty what the demands of the President's schedule will be this November, the experience of these first months in office has confirmed his initial judgment that it would be necessary, particularly during this first year of his Administration, to forego most of the attractive invitations - such as yours - which he might otherwise consider. He does not feel it would be fair to count on his participation even tentatively when we now have every indication that he will be unable to do so.

Nonetheless, we will make every effort to honor your request for an appropriate representative of the Administration to be with you that evening. We'll be back in touch with you on this as soon as possible.

The President sends you his best wishes and appreciation for your understanding in this regard.

Sincerely,



Fran Voorde
Director of Scheduling

Mr. J. Paul Austin
P. O. Box 1734
Atlanta, Georgia 30301

ok
J.C.



FUQUA INDUSTRIES, INC.
3800 FIRST NATIONAL BANK TOWER
ATLANTA, GA. 30303 / (404) 658-9000

J. C. NEWTON, JR.
DIRECTOR OF LOSS ADMINISTRATION

June 20, 1978

Mr. Nolan C. Leake
King & Spalding
2500 Trust Company Tower
Atlanta, GA 30303

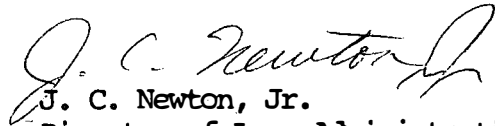
RE: Robert Jamison Vs. Richard
Hawkins, et al. Civil Action
No. C-38064, Fulton County
Superior Court, Georgia

Dear Nolan:

This will acknowledge your letter of June 13, 1978.

Since our earlier conversation and communications referred to in the first paragraph of your letter it appears that the litigation against McDonough Power Equipment in Henry County will be tried within the next 60 days. In view of this development and your paragraph two of the June 13, 1978 letter, it is our decision that any agreement we might make concerning the defense of the Hawkins litigation should be deferred until the Henry County case has been tried.

Very truly yours,


J. C. Newton, Jr.
Director of Loss Administration

JCNjr/tbd

cc: Glenn Frick
Mr. Andre B. Cleveland
John Ulmer

Meeting with Senator Byrd 7/10/78

THE WHITE HOUSE
WASHINGTON

Byrd 7-10-78

CTB - Scharanskiy

Turkey

- NATO & LTDP II

Energy = #1 issue

Turkish embargo

SALT - European interests

Long - French negative attitude

AWACS & Hawk in Belgium

#

Spain - special mil. deal

GB - MTN - Tax treaty

FRG - SS20

NATO - South - 3% - Pom (us)

SALT - JCS, St, DoD,
DoD budget → Navy
For Aid

Soviet friends?

Congressional Group/

For Aff MTG

7-10-78

Cy. Negot Herald - Def. NATO-SALT
36.9 - Overview

UN - Marshall
NATO - VN - Angola

NATO - SALT - MIDE - LAm - Africa

> 150 = Just, equit, peaceful
E/W N/S

- ① WEur - Jap - US + Can, Mex
- ② New emerg - Ven, Br, A.S., S.A., Iran,
India, Indon
- ③ N/S Reduce animosity → U.S.
- ④ MIDE - Israel → peace
non radicalization
- ⑤ SU - SALT, CTB, ASAT - E Europe
- ⑥ PRC → normalize
- ⑦ SAfrica - Nam/Rhod su/Cuba
- ⑧ Global armaments - INFCE
- ⑨ Human Rts
- ⑩ US/NATO = Turkey/Greece

THE WHITE HOUSE
WASHINGTON

- > Women in business. Pat Chantry, SBA
- > Visit to TRG. Bonn Summit
- > VP. Mid East = London 7/18-19
- > Schultze. Econ $6\% \rightarrow 5\%$
productivity \downarrow - 1% Unemp + 6% emp
- > Krep's award - AJC. Anti-boycott
- > Mayors Comments (Balt & Phila)
- > Mike & John. Steiger
- > Anti-inflation
- > Civil service
- > Energy - Dole amend 7/13
Producing mty Dallas today
- > Turkey embargo - new proposals
- > For Policy briefing
- > Urban - Dev Bank
- > For Aid legis
- > Scharansky - CSCE
- > Raftoon
- > Hosp Cost Cont

THE WHITE HOUSE
WASHINGTON

July 10, 1978

Zbig Brzezinski

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Jim McIntyre

RE: PRC MEETING ON ARM SALES TO
IRAN AND SECURITY ASSISTANCE
FOR KENYA

SECRET ATTACHMENT

MEMORANDUM

~~SECRET~~

THE WHITE HOUSE

WASHINGTON

~~SECRET~~ GDS

July 8, 1978

ACTION

MEMORANDUM FOR:

THE PRESIDENT

FROM:

ZBIGNIEW BRZEZINSKI

SUBJECT:

PRC Meeting on Arms Sales to Iran and
Security Assistance for Kenya

4093
This ok this time
PRC is too much
inclined to approve
every arms
request
J.C.

The PRC met on Wednesday afternoon, July 5, to consider the future of the U.S. arms transfer relationship with Iran, and the U.S. response to the Kenyan request for military assistance.

For Iran, I recommend that you approve the PRC recommendations based on the general policy of promoting a close relationship with Iran in part through U.S. support for an increased Iranian military capability allowing the projection of Iranian forces into the Persian Gulf-CENTO region. The F-4Es equipped with SHRIKE missiles, the artillery, and a forthcoming response on the U.S. weapons systems for the Dutch-built frigates are an important part of Under Secretary Newsom's planned presentation to the Shah this weekend. Newsom will call for comprehensive consultations at a political level this fall to discuss the longer term (3-5 years) U.S.-Iran political-military relationship. We will also begin immediately to develop a comprehensive strategy for Congressional consultations on Iran. Newsom, if you approve, will also tell the Shah that we will consider his request for more sophisticated anti-radiation capability, which might require the substitution of F-4Gs for the F-4Es -- but the F-4Gs have been on the non-releasable list.

The key problem in responding to the Kenyan request for military assistance is the lack of FMS credit in FY 1978 or expected to be available in FY 1979. As soon as we have completed a review of possible candidates for reprogramming, but no later than the first of next week, the PRC will present a recommendation to you. Pending resolution of the credit issue, presentation of the military survey team report which you authorized in March will be held up.

RECOMMENDATION

That you approve the above.

APPROVE ☒DISAPPROVE ☐~~SECRET~~

J
Jag 9/6/90